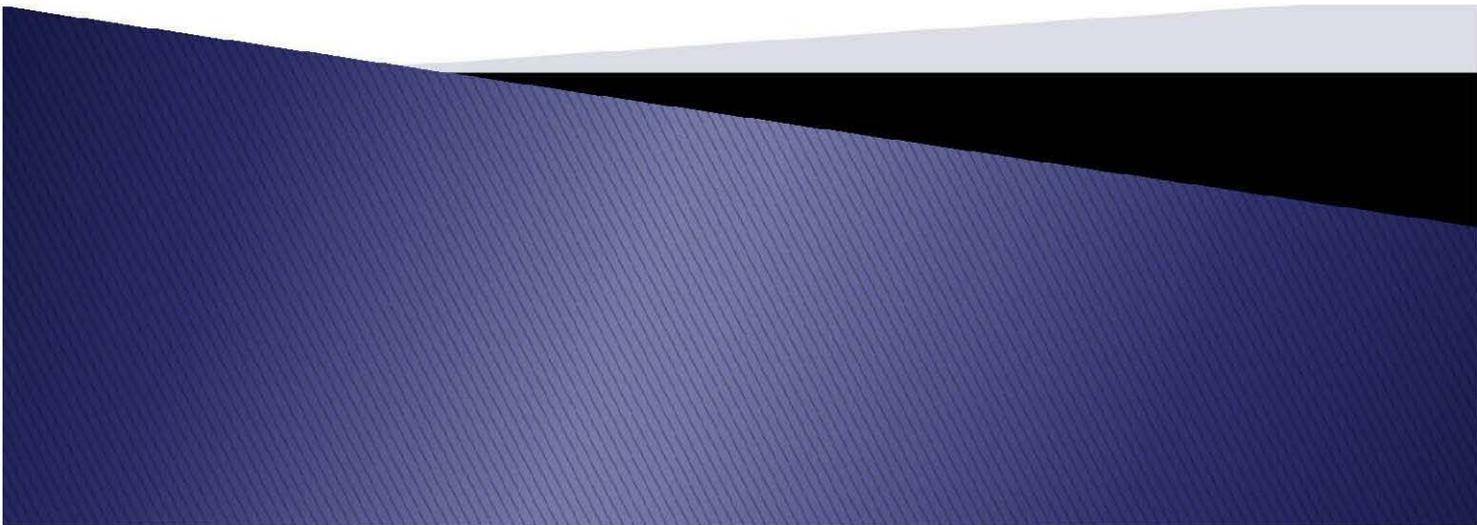


City of Eules

Comprehensive Annual Financial Report
Fiscal Year Ending September 30, 2016

201 North Ector Drive Eules, Texas 76039

www.eulesstx.gov



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City of Euless, Texas
Comprehensive Annual Financial Report
Fiscal Year Ending
September 30, 2016

Prepared by
City of Euless
Finance Department

201 North Ector Drive
Euless, TX 76039

**CITY OF EULESS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2016**

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**CITY OF EULESS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2016**

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INTRODUCTORY SECTION

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February 28, 2017

To the Honorable Mayor,
Members of the City Council, and
Citizens of the City of Euless, Texas

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report ("CAFR") for the City of Euless, Texas ("City") for the fiscal year ended September 30, 2016. This report complies with State law which requires that all local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report is published to provide the City Council, City staff, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City. The report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the accuracy, completeness, and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits derived from them, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Weaver, L.L.P., a firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City's financial statements for the fiscal year ended

September 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, a listing of City Officials, and an organizational chart of the City. The Financial Section includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis ("MD&A"), basic financial statements, the notes to the basic financial statements, and combining and individual fund statements and schedules. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. The City of Euless' MD&A can be found immediately following the independent auditor's report. The Statistical Section includes financial and demographic information relevant to readers of the City's financial statements. The statistical data is generally presented on a multi-year basis.

Profile of the City of Euless, Texas

The City of Euless is located in North Central Texas in Northeast Tarrant County approximately 16 miles west of Dallas and 16 miles east of Fort Worth. Euless is readily accessible by State Highway 183 which is a multi-lane expressway linking Dallas to Fort Worth. Other major highways through the City include State Highway 121, State Highway 360, State Highway 10 and Farm-to-Market Road 157. Euless' centralized location provides quick access to both Dallas and Fort Worth metropolitan areas and is adjacent to Dallas-Fort Worth International Airport ("DFW Airport") in east Tarrant County, one of the world's busiest airports. The City is approximately 16.9 square miles and serves a population of approximately 54,250.

The City of Euless was incorporated February 24, 1953 and is a home rule city operating under a Council/Manager form of government. The City Council is comprised of the mayor and six council members who are elected at large. The Council has the authority to enact local legislation, levy taxes, adopt budgets, determine policies, incur debt, and appoint the City Secretary, City Attorney, Municipal Court Judge, and the City Manager. The City Manager reports directly to the City Council, and is responsible for the daily management of the various City departments. Council members serve three-year staggered terms, with two council members elected each year. The Mayor is elected to serve a three-year term. In addition, several boards and commissions were created to assist the City Council in deciding matters of policy and procedure and meet on various issues throughout the year.

The City of Euless provides a full range of services to its citizens including: police and fire protection; emergency ambulance services; municipal court operations; development and code services; construction and maintenance of streets and highways, parks, and recreational facilities; water service and wastewater collection and treatment; and library operations. The City also operates a top-ranked, 18-hole golf course and conference center, an adult softball facility, youth athletic complex, and an aquatics center. Internal services of the City account for risk management, equipment replacement, and employee insurance coverage activities on a cost reimbursement basis. Private contractors, through

a franchise agreements, provides solid waste and recycling collections and disposal services for the City.

Four component units of the City, the Euless Development Corporation, the Euless Crime Control and Prevention District, Tax Increment Reinvestment Zone (TIRZ) #3 – Glade Parks, and Tax Increment Reinvestment Zone (TIRZ) #4 – Midtown, are presented in the financial statements of the City as blended component units. Data for these organizations is recorded and presented in special revenue funds of the City's financial statements. Additional information on these component units can also be found in Note 1 in the Notes to the Basic Financial Statements.

The annual budget serves as the foundation for the City of Euless' financial planning and control. Per the City Charter, the City Manager provides to the City Council the proposed budget by August 1st each year. The budget is filed with the City Secretary and is open for public inspection. Upon receipt of the budget, the City Council sets a date for a public hearing at which time interested citizens may express their opinions regarding the proposed budget. The Charter requires the Council to adopt the budget by a favorable majority vote at least ten days prior to the beginning of the next fiscal year.

The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the individual fund level. Financial reports are produced showing budget to actual expenditures by line item and are distributed monthly to City departments for review.

Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Euless operates.

The City of Euless is located in Tarrant County in the heart of the Dallas/Fort Worth (DFW) Metroplex and adjacent to the DFW International Airport. Thus, the economic vitality of the region significantly impacts the economic health of Euless. Airports Council International ranks DFW Airport as the tenth busiest airport in the world, handling over 65 million passengers a year. DFW Airport reports service is provided to 213 destinations. It is reported by the airport that economic activity across the North Texas area attributable to DFW Airport totals \$37 billion in economic output, 228,000 in full-time jobs, and \$12.5 billion in payroll.

According to the North Texas Commission, DFW is the fourth largest region in the US and has experienced tremendous growth during the past decade. With its highly-diversified economy, DFW has a population of over 7.1 million, a Gross Metro Product of \$504 billion, a labor force of over 3.5 million, a 3.6% job growth rate, 20 Fortune 500 Firms, and college enrollment of almost 333,000. Such an economic environment has helped the region weather economic downturns in key sectors better than other regions in the nation.

The Alliance Texas development in North Fort Worth is an 18,000-acre master-planned, mixed-use community which is home to more than 425 companies, 44,000 plus employees, and is anchored by the inland port known as the Alliance Global Logistics Hub. This area offers a variety of commercial real estate options, industrial space, office space, and retail facilities and had a \$4.32 billion annual impact in North Texas in 2014 (www.allianceairport.com, Alliance Texas Facts).

The Dallas Cowboys AT&T Stadium and Texas Rangers Globe Life Park in Arlington, within minutes of Euless, continue to attract additional tourism to the City by hosting major concerts and sporting events, including Super Bowl XLV in 2011, World Series in 2010 and 2011, NCAA Regional Basketball Tournament in 2013, the NCAA Final Four Basketball Tournament in 2014, and the first College Playoff National Championship game in 2015.

Taxable value for all residential and commercial property in the City of Euless is estimated at approximately \$3.55 billion for tax year 2016, which is a 12.7% increase from the prior year, due to an almost equal increase in residential and commercial real estate property values. Sales tax collections increased 10.9% during FY2015-16. Euless continues to look for additional revenue opportunities in order to minimize the tax burden to citizens and strives to cut costs without impacting service.

The City also receives a significant amount of revenue from a consolidated rental car facility located at DFW Airport. The City Council has chosen to use this funding source to build reserves and to cash flow capital projects in lieu of debt issuance. This has allowed the City to refrain from becoming overly dependent on a volatile resource while providing for needed improvements for citizens.

The City of Euless has approximately 690 acres of undeveloped land outside of DFW Airport. Much of the Glade Parks mixed-use development consisting of major retail, restaurants, neighborhood pedestrian-oriented retail uses and residential neighborhoods is open with several other structures currently under construction.

During the fiscal year the City continued the annual street overlay, Americans with Disability Act (ADA) improvements, and street light and sidewalk maintenance programs. Additionally, the City completed wastewater line replacements for sections of Crane Drive and Town Creek Drive, water line replacement at Donley and Shelmar Drive, a 24 inch valve replacement, a portion of the Reclaimed Water Line Extension, and Phase IV of the Texas Star Sports Complex.

The City benefits from a well-educated workforce, with approximately 90.3% of the population being high school or higher education graduates. Nationwide that rate is 86.7%. In addition, Euless' median household income of \$54,974 compares favorably to \$53,889 for the United States (source: 2011-2015 U.S. Census Bureau Quick Facts).

Long-Term Financial Planning

The City of Euless has developed a comprehensive capital improvements document as well as a multi-year financial plan. Such strategic planning has allowed the City Council to fund several major infrastructure upgrades, park enhancements, and capital purchases in a systematic manner while considering the full impact to the operating budget and tax requirements. Many of these projects have been completed on a pay-as-you-go basis by utilizing operating revenues, excess reserves, and rental car taxes, thereby avoiding the issuance of additional debt.

The City Council and citizens of Euless have determined that debt issuance is a viable method of financing major capital projects. Analysis of potential debt issuance includes the operating impact the repayment thereof will have on citizens, property tax rates, and enterprise fund service fee revenues. Per the City's fiscal policies, long-term debt will not be used for operating purposes and the life of the debt instruments will not exceed the useful life of the projects financed. Policy also specifies that bonds with an average life of 20 years or less will be issued to reduce net interest cost and maintain future flexibility by paying off debt earlier. The majority of the City's existing long-term debt was used to finance infrastructure needs and traditional government facilities such as streets, utility infrastructure, and development of parks and open spaces.

The City's fiscal policies state current expenditures will be paid with current revenues. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used for emergencies or nonrecurring expenditures, except when balances can be reduced because levels exceed guidelines or legally-required minimums.

Fiscal policies provide for a General Fund reserve equal to between 30 and 60 days of working capital. At no time shall the reserve fall below 8.3% of the General Fund expenditure budget (i.e. 30-day level). The current operating reserve is maintained at 103 days of operations which equates to approximately 28.3% of next year's budgeted expenditures. At the end of the current year, the City was in compliance with this policy.

The City's fiscal policies for the Water and Wastewater Fund require the maintenance of a minimum reserve of 45 to 75 days of working capital. The City currently maintains an 85.5-day reserve. Water and Wastewater revenue bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. This revenue bond reserve is in addition to the working capital required by the City's fiscal policies and is maintained in a separate fund on the general ledger. As of September 30, 2016, the revenue bond reserve totaled \$641,350.64 which meets the required average annual debt service per bond covenants.

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. rates the City's general obligation debt and sales tax revenue debt at AA and the water and wastewater revenue debt at AA+. Moody's Investor Service, Inc. rates the general obligation debt and water and wastewater revenue debt at Aa2. Additional information

about the rating agencies or the significance of the ratings provided may be obtained from each agency's web site.

Major Initiatives

The City has partnered with Tarrant County, surrounding cities, local churches and businesses to renovate qualifying homes in the community through the Tarrant County Home Program and the Community Powered Revitalization Program ("CPR"). Through this partnership, the cities of Hurst, Euless, and Bedford have joined forces to assist qualifying residents in all three communities.

The City's Facility Master Plan and ADA Transition Plan address facility needs of the City. The Parks Master Plan, which focuses on improving the quality of life for the community, includes additional hike/bike trails, park amenities and upgrades.

The City has completed several projects in the past year and has many others underway. The City believes it is critical that the street, water, wastewater, and drainage systems are properly maintained and systematically upgraded. While these are not glamorous, these represent the most basic governmental functions. Deferral of these projects creates a financial burden for future generations.

During 2016, several street overlays were completed in accordance with Pavement Condition Index scoring criteria as well as several Americans with Disabilities Act curb and ramp improvements.

Engineering is underway for a traffic signal at Harwood and Bear Creek Parkway.

Wastewater lines in the vicinity of Crane Drive and Town Creek Drive were replaced and water lines along Donley, Shelmar, and Ector Drive were upgraded. Wastewater line replacements at Glenn Drive are underway. Design is underway for wastewater line replacements at Cedar Hill Estates/Hollywood Blvd and Oakwood Terrace.

Water and wastewater lines for the Midtown Express project are also being relocated.

Three 24" water valves were replaced which is critical in allowing water service to be shut off when necessary with minimal impact to residents.

A water meter replacement program is approximately 80% complete and should be complete by spring 2017.

The next phase of the reclaimed water system expansion was also completed with eight new properties now receiving reclaimed water. The City will also continue to seek more low interest financing from the Texas Water Development Board to complete the reclaimed water line project.

The Development and Engineering Building renovation is complete and staff has moved back into the building. The courtyard renovation is substantially complete with the

finishing touches being placed on the landscaping and hardscape. Additional parking and storage areas have been added at the public works facility.

The new 60/90 field and additional parking at the Parks at Texas Star are expected to be completed in April 2017 and the renovation of the existing fields to synthetic turf was completed in January. Work is also beginning on the Glade Parks Trail Connection. Renovation of the golf maintenance building will begin soon

Over the last several years, the City has worked with a developer on a major, mixed-use center located along the southwest corner of Glade Road and Highway 121. This center will ultimately provide approximately 1.2 million square feet of retail/office and includes a unique residential component. The City expects the sales tax benefit from this center to be significant. In an effort to promote development in this area, the City created a Tax Increment Reinvestment Zone (“TIRZ”) for the Glade Parks development and approved the related project and financing plan. This plan authorized the City to undertake certain public improvements associated with the Glade Parks development. The City also executed a development agreement with Ruby 12 Glade Retail, LLC, formally known as Glade 121 L.P., which specified the extent of City provided improvements and provided for the conditions under which these improvements will be constructed or reimbursed. Additionally, the City created the Glade Parks Public Improvement District (“PID”) which is funded from assessments within the district. At the 2015 fiscal year-end, the infrastructure improvements were completed. During Fiscal Years 2015 and 2016 numerous businesses opened in this development creating increased property values and retail sales. An additional phase was added to this development in 2015 that included construction of a parking garage, park, and park amenities. The existing Glade Parks TIRZ also covers this project as well as a PID to support debt issued for these additional public improvements. This construction is anticipated to begin in 2017.

The City approved a planned development known as RiverWalk which includes approximately 200 acres located at the northwest corner of Airport Freeway and State Highway 360 extending north to Harwood Road. Lennar Homes is developing four (4) subdivisions within the RiverWalk mixed use project, including The Dominion at Bear Creek, which is a 241 lot single-family subdivision located south of Midway Drive, between Fuller-Wiser Road and Bear Creek Parkway. The Villas at Bear Creek is a 60 lot single-family subdivision at the southeast corner of Bear Creek Parkway and Midway Drive and The Estates at Bear Creek is a 112 lot single-family subdivision. The NRP Group completed construction of a 300-unit urban loft project in 2015, with plans to begin development of a second phase of 200 units in 2017.

The City also approved a 56 acre mixed-use development to be called Founders Parc, previously called Midtown, which is located on the south side of State Highway 183, east of Farm-to-Market Road 157 and north of State Highway 10. This development will include 259 new single family homes, urban lofts, and over 67 thousand square feet of retail space. Both a TIRZ and a PID have been created by the City to support debt for additional public improvements needed for the area including roadways, water distribution system, sanitary sewer and storm sewer collections systems, hardscaping, and amenities.

Awards and Acknowledgements

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Euless for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended September 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has been awarded a Certificate of Achievement for the last 29 consecutive years. We believe that the current CAFR meets the Certificate of Achievement program requirements and are submitting it to GFOA for review.

In addition, the City of Euless received the GFOA’s Distinguished Budget Presentation Award for its annual budget document. The City of Euless has received the Distinguished Budget Award for the last 25 years. In order to qualify for the award, the City’s budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the Mayor and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible, professional, and progressive manner. As always, the City of Euless staff welcomes and appreciates your comments.

Respectfully Submitted,



Loretta Getchell
City Manager



Janina Jewell
Director of Finance

CITY OF EULESS

FISCAL YEAR 2015-2016



LINDA MARTIN, MAYOR

Tim Stinneford, Council Member - Place One

Jeremy Tompkins, Council Member - Place Two

Eddie Price, Council Member - Place Three

Linda Eilenfeldt, Council Member - Place Four

Harry Zimmer, Council Member - Place Five

Perry Bynum, Council Member - Place Six, Mayor Pro Tem

Loretta Getchell, City Manager

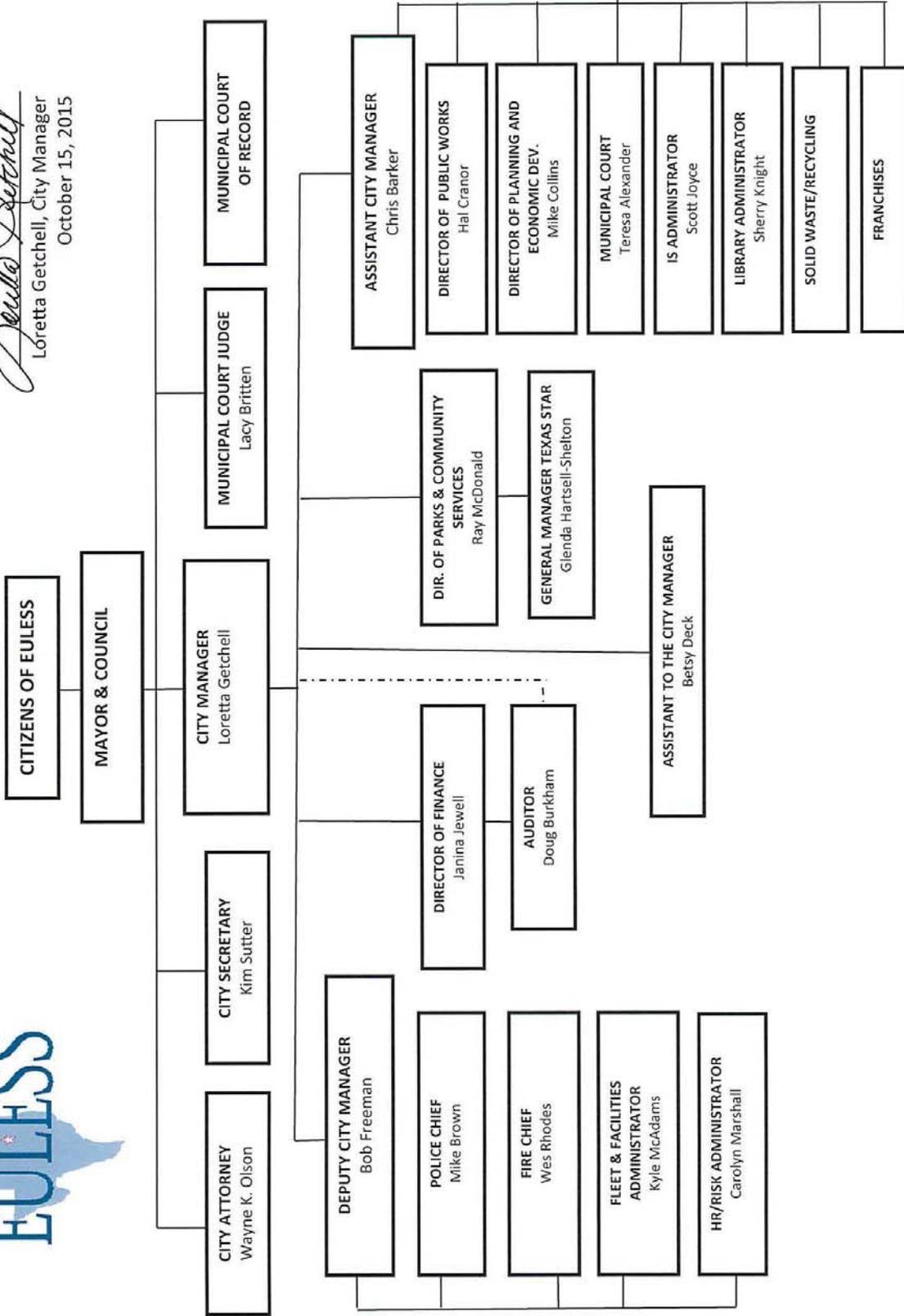
Bob Freeman, Deputy City Manager

Chris Barker, Assistant City Manager



ORGANIZATIONAL CHART

Loretta Getchell
 Loretta Getchell, City Manager
 October 15, 2015





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Euless
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
City Council and City Manager
City of Euless, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Euless, Texas (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Euless, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the TMRS pension schedules, the analysis of OPEB funding progress, and budgetary comparison information on pages 5 through 17 and 72 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell LLP

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 24, 2017

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CITY OF EULESS, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2016
(Unaudited)

Management of the City of Euless offers the readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2016. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that the City's tax base, service levels, City assets, and the City's desirability will be maintained not just for the current year but well into the future.

Financial reporting is limited in its ability to provide the "big picture" but rather focuses on financial position and changes in financial position. In other words, are revenues and/or expenditures higher or lower than the previous year? Has net position (containing both short-term and long-term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities") of the government been maintained? Readers are encouraged to consider the information presented here in conjunction with the additional information furnished in the letter of transmittal (pages i-viii of this report) and the statistical section (pages 107-126 of this report) as well as information in the annual budget and the capital improvement plan along with other community information found on the City's website at www.eulesstx.gov. It should be noted that the Independent Auditor's Report describes the auditors' association with the various sections of this report and that all of the additional information from the website and other City sources are unaudited.

Financial Highlights

- The assets and deferred outflows of resources of the City of Euless exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$206,540,558 (Net position). This number must be viewed in the context that the vast majority of the City's net position of \$167,319,911 (81%) is net investment in capital assets and that most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. The net position restricted for specific purposes totaled \$24,487,525 (12%). The remaining \$14,733,122 (7%) is unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- Governmental activities realized an increase in total net position of \$6,746,137 and business-type activities realized an increase in total net position of \$5,451,249 bringing the total increase in net position for the City to \$12,197,386.
- At the close of the current fiscal year, the City of Euless' governmental funds reported combined ending fund balances of \$42,221,409 which represents an increase of \$11,863,162 in comparison with the prior year. Within this total, \$1,995,548 is restricted for debt service; \$12,715,424 is restricted by bond covenant for capital projects; \$121,041 and \$213,386 are restricted for court technology and juvenile case management, respectively; and another \$1,977,963 is restricted for capital projects by developer agreements. Amounts restricted for cable PEG fees and historical preservation total \$525,451 and \$1,245, respectively.

Nonspendable fund balance of \$42,988 represents fund balance amounts for inventories and prepaid items. Fund balances of \$12,654,839 represent assigned fund balance in the general, special revenue, and capital projects funds. The unassigned fund balance in the General Fund of \$11,973,524 can be used for any lawful purpose. The General Fund unassigned balance represents 33% of fiscal year 2016 total fund expenditures.

- The City's total capital assets (net of accumulated depreciation) increased by \$18,480,844 which is primarily attributed to completion of capital improvement projects and other asset additions exceeding current year depreciation expense and asset retirements.
- The City's debt payable increased by \$15,970,000 or 34%, due to the issuance of certificates of obligation and tax notes less scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Eules's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Eules's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Eules's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Eules is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash receipts and cash outlays in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, highways and streets, development, and culture and recreation. The business-type activities of the City include water and wastewater system, drainage system, golf course, and other recreational activities.

The government-wide financial statements include not only the City of Eules (the primary government), but also the Eules Development Corporation, the Crime Control and Prevention District, the Tax Increment Reinvestment Zone #3 – Glade Parks and Tax Increment Reinvestment Zone #4 – Eules Midtown which are legally separate entities that are financially

accountable to the City. A blended presentation has been used to report the financial information of these component units.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund Financial Statements. A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eules, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements with the exclusion of internal service fund activity. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Car Rental Tax, and TIRZ#4 Midtown CIP funds, all of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General and Car Rental Tax major governmental funds. A budgetary comparison schedule has been provided for each fund to demonstrate compliance with the adopted budgets.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater, drainage utility, and golf operations, as well as several other recreational activities. Internal service funds are an accounting device used to accumulate resources and allocate costs internally among the City's various functions. The City uses internal service funds to account for its equipment replacement, risk management, and health insurance services. Because these services predominately benefit governmental rather than business-type functions,

a portion of the activities in these funds is included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water and Wastewater, Drainage Utility, and Golf, all of which are considered to be major funds of the City. Data from the other recreational activities are combined into a single, aggregate presentation. Individual data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The internal service funds are combined into a single, aggregate presentation in the proprietary fund financial statements. Individual data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 24-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-71 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations to provide pension and post-employment healthcare benefits to its employees. Additionally, schedules comparing budgetary figures and actual results of the General Fund and the Car Rental Tax Fund are also located in this section of the report. Required supplementary information can be found on page 72-78 of this report.

The combining statements referred to earlier in connection with non-major governmental funds, non-major proprietary funds, and internal service funds are presented immediately following the required supplementary information on pensions, OPEB, and budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 80-106 of this report.

Government-Wide Financial Statement Analysis

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. In the case of the City of Euleus, assets exceeded liabilities by \$206,540,558 as of September 30, 2016.

The largest portion of the City's net position (81%) reflects its investment in capital assets (i.e., land, buildings, equipment, improvements, construction in progress, and infrastructure) net of accumulated depreciation, less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not

available for future spending and with exception of business-type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$14,733,122 (7%) may be used to meet the City's ongoing obligations to citizens, creditors, and employees.

Net Position

Amounts shown in 000's	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 64,607	\$ 50,308	\$ 29,791	\$ 31,111	\$ 94,398	\$ 81,419
Capital assets	141,711	128,451	70,446	65,225	212,157	193,676
Deferred outflows	11,784	4,833	2,715	1,488	14,499	6,321
Total assets and deferred outflows	<u>218,102</u>	<u>183,592</u>	<u>102,952</u>	<u>97,824</u>	<u>321,054</u>	<u>281,416</u>
Long-term liabilities	72,227	46,950	20,630	20,498	92,857	67,448
Other liabilities	15,411	13,615	4,813	5,395	20,224	19,010
Deferred inflows	1,209	518	223	97	1,432	615
Total liabilities and deferred inflows	<u>88,847</u>	<u>61,083</u>	<u>25,666</u>	<u>25,990</u>	<u>114,513</u>	<u>87,073</u>
Net position:						
Net investment in capital assets	108,136	99,540	59,184	55,396	167,320	154,936
Restricted	17,509	5,666	6,979	3,883	24,488	9,549
Unrestricted	3,610	17,303	11,123	12,555	14,733	29,858
Total net position	<u>\$ 129,255</u>	<u>\$ 122,509</u>	<u>\$ 77,286</u>	<u>\$ 71,834</u>	<u>\$ 206,541</u>	<u>\$ 194,343</u>

As of September 30, 2016 the City reports positive balances in all three categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true for fiscal year 2015.

The City's unrestricted net position decreased by \$15,124,147 in fiscal year 2016 as compared to the unrestricted net position for the prior year. Restricted net position realized an increase of \$14,937,848 and the amount invested in capital assets, net of related debt also increased by \$12,383,685. The increase in total net position of \$12.2 million results primarily from current year operating results flowing to the restricted category of net position (unspent debt proceeds). The increase in net investment in capital assets portion of net position primarily results from the increase in construction in progress. The details of the results of current year operations are found in the table shown on the following page.

Changes in Net Position

Amounts shown in 000's	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<u>REVENUES</u>						
Program revenues:						
Fees, fines and charges for services	\$ 7,029	\$ 6,614	\$ 30,732	\$ 27,327	\$ 37,761	\$ 33,941
Operating grants and contributions	578	598	-	-	578	598
Capital grants and contributions	3,376	3,229	2,943	1,747	6,319	4,976
General revenues:						
Property taxes	14,752	14,358	-	-	14,752	14,358
Sales taxes	20,365	18,360	-	-	20,365	18,360
Car rental taxes	14,842	14,113	-	-	14,842	14,113
Mixed beverage taxes	101	84	-	-	101	84
Occupancy taxes	697	392	-	-	697	392
Gross receipts taxes	4,467	4,556	-	-	4,467	4,556
Investment income	272	127	105	40	377	167
Rents and royalties	1,106	1,167	-	-	1,106	1,167
Gain (loss) on asset disposal	-	-	13	4	13	4
Miscellaneous	693	35	-	-	693	35
Total revenues	<u>68,278</u>	<u>63,633</u>	<u>33,793</u>	<u>29,118</u>	<u>102,071</u>	<u>92,751</u>
<u>EXPENSES</u>						
Culture and recreation	6,999	6,468	-	-	6,999	6,468
Development services	918	878	-	-	918	878
General government	20,722	19,950	-	-	20,722	19,950
Highways and streets	3,708	3,374	-	-	3,708	3,374
Public safety	26,674	23,807	-	-	26,674	23,807
Interest and fiscal charges	1,807	1,137	-	-	1,807	1,137
Water and wastewater	-	-	21,010	19,970	21,010	19,970
Drainage utility	-	-	1,414	1,320	1,414	1,320
Golf course	-	-	4,410	4,156	4,410	4,156
Recreational enterprises	-	-	2,211	2,010	2,211	2,010
Total expenses	<u>60,828</u>	<u>55,614</u>	<u>29,045</u>	<u>27,456</u>	<u>89,873</u>	<u>83,070</u>
Increase (decrease) in net position before transfers	7,450	8,019	4,748	1,662	12,198	9,681
Transfers	<u>(704)</u>	<u>723</u>	<u>704</u>	<u>(723)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	6,746	8,742	5,452	939	12,198	9,681
Net position, beginning	<u>122,509</u>	<u>113,767</u>	<u>71,834</u>	<u>70,895</u>	<u>194,343</u>	<u>184,662</u>
Net position ending	<u>\$ 129,255</u>	<u>\$ 122,509</u>	<u>\$ 77,286</u>	<u>\$ 71,834</u>	<u>\$ 206,541</u>	<u>\$ 194,343</u>

- Governmental activities.** Governmental activities increased the City's net position by \$6,746,137 thereby accounting for most of the growth (55%) in total net position. Most revenue categories, including property taxes, sales taxes, investment income, charges for services, and capital grants and contributions, exceeded prior year receipts. Sound fiscal management and close monitoring of revenues and expenses allowed the City to realize an increase in governmental activities net position before transfers of \$7,449,888.

Total revenue for the governmental activities (excluding transfers) increased from the previous year by \$4,645,300. General Revenue, which is primarily made up of property taxes, sales taxes, and car rental taxes, had a net increase of \$4,102,879. Property tax revenue increased due to an overall increase in taxable values of 3.38% over the prior year. Sales tax collections increased as a result of new business openings and continued improvement in the local economy. Program revenues, which consist primarily of fines, fees, and charges for services increased \$542,421. Development charges account for approximately \$308,000 of the increase and results from continued local development activity in both the commercial and residential markets. The Midtown PID assessment accounts for the increase in highways and streets program revenues. Public safety service revenues decreased approximately \$107,000 primarily as a result of a decrease in ambulance fees and grant contributions. The increase of \$147,000 in capital grants and contributions primarily results from developer contributions of capital assets combined with the Parks Green Ribbon Grant revenues.

Total expenses increased by \$5,214,376 from FY2015 to FY2016. The raise package for employees included an increase of 3.25% which accounts for a large portion of the expense increase across all functions. The change in accounting principle related to pensions implemented in the prior year that reduced personnel-related expenses, had the opposite effect in the current year. Governmental activities realized additional pension-related expenses due primarily to changes in the net pension liability and the amortization of deferred outflows related to pensions. The allocation of internal service fund activity increased expenses over the prior year by nearly \$900,000. Furthermore, fluctuations in depreciation expense as a result of the acquisition and disposal of capital assets affect the various expense categories. General and administrative expenses increased primarily as a result of sizable increases in rebate expense resulting from the increase in sales tax, occupancy tax and car rental tax collections. Other than salary and related benefit expenses, public safety expenses increased as a result of the purchases of protective vests and radios. Upgrades to building security and L3 video systems also added to public safety expenses. Highways and streets realized increases as a result of maintenance expenses for curbs and sidewalks, signals and lights, and streets. The net position of general governmental operations accounts for 63% of total net position.

- **Business-type activities.** Business-type activities increased the City's net position by \$5,451,249. The change in net position before transfers is \$4,747,498. Charges for services program revenues for the business-type activities increased from the previous year by \$3,404,660 due primarily to increased water and wastewater revenues and other enterprise revenues. Capital grants and contributions increased by \$1,196,550 primarily due to developer contributions of capital assets resulting from local development. For the second consecutive year, the City's business-type activities suffered due to the extreme amount of rainfall received throughout the year. The region received 53 inches for fiscal year 2016, which exceeds a "normal" year by nearly 17 inches. Much of this rainfall was received during the peak operating season for most of these enterprises.

Some expense categories realized decreases for the year, but overall business-type expenses increased 63%, a portion of which is attributable to the second year effect of the implementation of the new pension standards mentioned previously. An increase in the suppliers' volume rates resulted in increases in water purchase costs, reclaimed water expenses, and wastewater treatment charges. Net position for business-type activities represents 37% of total net position.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Euless' governmental funds reported combined ending fund balances of \$42,221,409, an increase of \$11,863,162 in comparison with prior year. Approximately 28% or \$12 million constitutes unassigned fund balance in the general fund that is available for spending at the City's discretion. Another \$42,988 in non-spendable fund balance represents amounts invested in inventories and prepayments. Another portion is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$1,995,548); 2) to pay for specific capital improvements per developer agreements (\$1,977,963); 3) restricted by bond covenant for specific capital projects (\$12,715,424); and 4) for a variety of other restricted purposes (\$861,123). Assigned fund balance includes funds which management has planned to use for a specific purpose as well as residual balances of governmental funds other than the general fund. Assigned fund balance totals \$12,654,839 and includes assigned fund balance in the general fund of \$113,655 and \$12,541,184 which represents residual balances in other governmental funds. See discussion under Fund Balance Classifications in Note 1 of the Notes to the Basic Financial Statements for additional details on fund balance.

In the General Fund, the City originally budgeted for a decrease in fund balance (planned reduction) of \$2,405,177 which was later revised to a drawdown of \$2,808,924. Due to a positive budget variance in overall revenues and expenditures, the General Fund ended the year with an increase to fund balance of \$1,194,140 which represents a positive revised budget variance of \$4,003,059 resulting almost entirely from increased revenues of more than \$1.2 million and expenditure savings of \$2.75 million, before transfers.

Many General Fund revenue categories realized increases over the prior year and surpassed budget estimates as well. Sales tax receipts, fines and fees, licenses and permits, and investment income exceeded both budget and prior year. Sales taxes and licenses and permits grew as a result of new development and continued improvement in the local economy. An increase in property values resulted in property tax collections surpassing prior year revenues. However, current year collections fell short of budget expectations. Gross receipt taxes also fell short of budget estimates and failed to attain prior year levels primarily as a result of shortfalls in gas and electric collections. Although municipal court fines fell short of expectations, overall fines and

fees exceeded projections and prior year totals. Jail income and ambulance revenues offset the shortfall by exceeding the budget expectations by approximately \$277,000 combined.

Personnel and related benefit budgetary savings of approximately \$1.1 million result primarily from vacant positions, changes in employee healthcare elections, and rolling one-time personnel-related funds into next fiscal year. Contract labor appropriations of a little over \$115,000 remained unspent at the end of the year. Part-time salary expenses realized a favorable budget variance of \$263,000, while overtime exceeded budget expectations by \$29,000. In addition to overall salary and benefit savings, general and administrative expenditures realized savings in capital, supplies, training, travel, and contingencies. Increased rebate incentive payments from the improvement in sales tax revenues resulted in additional expenditures of approximately \$20,000, while the revenue sharing agreement with the cities of Dallas and Fort Worth realized a budgetary overage of approximately \$84,000. Electric service costs compared favorably to budget parameters by nearly \$145,000. Budgetary savings in repair and maintenance costs totaled approximately \$44,000 due primarily to savings in equipment maintenance offsetting the overages in heating and cooling systems maintenance and plumbing costs.

Aside from salaries and benefits, public safety expenditure savings were also noted in supplies, travel, and maintenance. Savings in mowing services, travel and training, and supplies are primarily responsible for the positive budget variance in culture and recreation. Capital expenditures including street overlay, traffic signals, and lighting realized budgetary savings of \$39,000. One-time expenditures were \$513,000 under budget as a result of cost savings and timing of purchases (for which the funds will roll into the next fiscal year).

The Debt Service fund balance increased \$1,492,180 which is \$1,606,245 better than the budgeted drawdown of \$114,065. The Car Rental Tax fund balance was originally anticipated to decrease \$2,641,626, but instead ended the year with a decrease of only \$2,187,435 resulting from an increase in net car rental taxes and savings in capital outlay. Due to the issuance of debt in excess of capital expenditures, the TIRZ#4 Midtown CIP fund balance increased by \$10,465,699.

The non-major governmental funds realized a combined increase in fund balance of \$898,578; special revenues contributed \$385,827 to this increase, while the capital projects funds contributed \$512,751. Increased sales taxes in the Half-Penny Sales Tax and Crime Control and Prevention District (“CCPD”) funds resulting from new development and an improved economy contribute to the increase from special revenue funds. Additionally, hotel/motel occupancy taxes from the opening of the new hotel at the airport combined with assessment revenues collected for the Midtown Public Improvement District (“PID”) also account for part of the increase from special revenue funds. The net increase from CIP funds results primarily from the issuance of debt recorded in the Midtown Reserve fund. Additionally, the Streets and Car Rental CIP funds realized decreases in fund balances as a result of project expenditures of more than \$7 million. Project expenditures in these funds include those for street overlay, infrastructure at Glade Parks and renovation of the Development and Engineering building. The combined net effect of these changes in governmental fund balances totals an increase of \$11,863,162.

Enterprise funds. The City’s enterprise fund statements provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. Most of the City’s enterprise funds are heavily dependent upon local weather conditions. During the fiscal year, more than 53 inches of rain fell; which is 17 inches more than a “normal”

year for the region. The effects of this substantial increase in rainfall resulted in budgetary revenue shortfalls in many of the City's enterprise funds.

Unrestricted net position of the enterprise funds at the close of the fiscal year is: Water and Wastewater fund \$3,051,951; Drainage Utility fund \$1,311,672; Golf Course fund \$1,134,282; and all other non-major recreation enterprise funds combined \$3,179,728. The Water and Wastewater fund realized an increase in operating income resulting from increased water and wastewater rates combined with Texas Water Development Board loan forgiveness revenues recorded in service fees and miscellaneous income. Water consumption and wastewater treatment volume were 2% and 9% lower than anticipated, respectively. Despite the shortfall in consumption, water purchase costs exceeded budget parameters. However, this overage was offset with budgetary savings in wastewater treatment costs. Generally, conservation efforts, tiered water rates, and watering restrictions result in declines in water consumption. However, in the current year, the local weather patterns were the primary culprit responsible for the reduced water consumption. Impact fee revenues and developer dedication of assets of \$2.2 million contributed to the overall net income in the Water and Wastewater fund.

The increase in net position of the Drainage Utility fund results primarily from developer contributions exceeding depreciation expenses for the year. Net position for the Golf Course fund increased \$149,878 due in large part to transfers from other funds offsetting negative operating income and interest and fiscal charges. All other non-major recreation enterprise funds combined realized an increase of \$1,349,228 which is primarily attributable to transfers to Texas Star Sports Complex fund for the addition of the 60/90 field. The transfers offset negative operating income at the complex resulting from adverse weather conditions experienced for the second consecutive year. The excessive rainfall resulted in the cancellation of entire leagues and a multitude of tournaments. The combined net effect of these changes in net position totals an increase of \$5,425,658.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, totaled \$212,157,607 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was \$18,480,844 or about 9.5%.

Major capital asset activity that occurred during the current fiscal year included the following:

- Capital asset contributions were comprised of \$109,438 in Community Development Block Grant (CDBG) expenditures for ADA/TAS infrastructure improvements and developer asset dedications totaling nearly \$5.6 million in street infrastructure, land, water and wastewater facilities, and drainage structures.
- Street overlay projects located throughout the City in the amount of \$1,116,329 were finalized during the year.
- Capital asset additions for governmental activities include, but are not limited to, automatic compression systems and power pro stretchers for EMS operations, a concessions trailer for community outreach for the police department, upgrade of the police training room, parks

equipment, computer equipment and software, and scheduled annual vehicle and equipment replacements.

- Construction-in-progress related to general government activity of \$10,298,787 primarily consisted of Midtown infrastructure (\$7.7 million), Development/Engineering building (\$2.2 million), sidewalk and municipal plaza improvements (\$226,681), and the Glade Parks Trail (\$162,971).
- The wastewater line replacements along Crane Drive and Town Creek were completed at a cost of \$264,823 and \$395,896, respectively. The Donley/Shelmar water line replacement was finished at a total cost of \$152,990. The 24" valve replacement project was also completed this year with a total cost of \$131,370.
- Capital asset additions for the business-type activities include, but are not limited to, a sewer camera crawler, valve and vactor trailer, well motor and pump, and fitness equipment.
- Construction-in-progress related to business-type operations of \$5.3 million consisted of Phase II of the Reclaimed Water System Extension at \$1.7 million, water meter replacement at \$3.1 and Phase V of the Texas Star Sports Complex Improvements at a cost of \$466,396.

Capital Assets (Net of Accumulated Depreciation)

Amounts shown in 000s	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
	Land	\$ 29,694	\$ 28,107	\$ 3,619	\$ 3,619	\$ 33,313
Buildings	35,825	37,505	1,823	1,948	37,648	39,453
Other improvements	7,670	5,745	8,832	9,520	16,502	15,265
M&E	7,890	8,147	786	652	8,676	8,799
Infrastructure	50,333	39,780	50,116	49,216	100,449	88,996
Construction in Progress	10,299	9,167	5,270	271	15,569	9,438
Total	<u>\$ 141,711</u>	<u>\$ 128,451</u>	<u>\$ 70,446</u>	<u>\$ 65,226</u>	<u>\$ 212,157</u>	<u>\$ 193,677</u>

Additional information on the City's capital assets can be found in Note 3 on pages 48-50 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$61,216,922 net of unamortized losses on prior refundings. Of this amount, \$50,968,374 comprises debt backed by the full faith and credit of the government, where \$10,343,541 is the amount of self-supported debt for Texas Star Golf Course and the Star Center. The remainder of the City's debt, \$10,248,548, represents bonds secured solely by specific revenue sources (i.e. revenue bonds).

Outstanding Bonded Debt

Amounts shown in 000s	Governmental activities		Business-Type activities		Total	
	2016	2015	2016	2015	2016	2015
GO bonds	\$ 17,425	\$ 20,655	\$ 5,695	\$ 6,320	\$ 23,120	\$ 26,975
COs	27,710	8,365	-	-	27,710	8,365
GO/CO deferred loss	(631)	(757)	(510)	(563)	(1,141)	(1,320)
Tax notes	1,280	-	-	-	1,280	-
Revenue bonds	120	285	10,305	10,940	10,425	11,225
Revenue deferred loss	(28)	(37)	(149)	(167)	(177)	(204)
Totals	<u>\$ 45,876</u>	<u>\$ 28,511</u>	<u>\$ 15,341</u>	<u>\$ 16,530</u>	<u>\$ 61,217</u>	<u>\$ 45,041</u>

In fiscal year 2016, the City issued tax notes and certificates of obligation. The City's total debt increased \$15,970,000 or 34% during fiscal year 2016 which is attributed to the newly issued debt less scheduled annual principal payments. The largest portion of the increase is attributable to certificates of obligation issued for public improvements at Glade Parks and Euless Midtown. Both of these development areas are covered by tax increment revenues and public improvement district assessments.

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. rates the City's general obligation debt and revenue debt at AA and the water and wastewater revenue debt at AA+. Moody's Investor Service, Inc. rates the general obligation debt and the water and wastewater revenue debt at Aa2 and the sales tax revenue debt at A1. Additional information on the City's long-term debt can be found in Note 4 on pages 50-55.

Economic Factors and Next Year's Budgets and Rates

In the FY2016-17 budget, General Fund revenues and transfers are budgeted to increase by 6% from the FY2015-16 original budget. Property taxes account for 31% of budgeted revenues and sales taxes comprise approximately 33% of budgeted revenues. Certified assessed valuations as of July 25, 2016 increased 12.7% from the preceding year.

As of September 30, 2016, the City's unemployment rate is 3.8% compared to the State of Texas, which is 4.9%. In the FY2016-17 budget, sales tax receipts are projected to increase 3.5% over prior year estimated revenues plus an additional estimate for new development. The car rental tax receipts are anticipated to remain flat with end-of-year projections.

Baseline budgeted expenditures in the General Fund are projected to increase approximately 6% from the FY2015-16 original budget. This increase is primarily attributed to rebates associated with increased revenue collections, the employee raise package and related costs, and the addition of four new positions. Increased transfers for equipment replacement and street maintenance are also included in the baseline budget. The City elected to use excess reserves in various funds to cash flow capital programs including city computer and technology upgrades, career preparation program in conjunction with the local school district, fire suppression and EMS equipment, equipment for the Euless Family Life Center, and various facility maintenance items. In addition, the FY2016-17 budget includes funding for continued technological advancements in the City's municipal court operations. Continued funding is also provided for the City's contribution to the Tarrant County Home Program, community revitalization, and street overlay. The property tax rate dropped to .4625¢ per \$100 of assessed valuation for FY2016-17.

For the Water and Wastewater Fund, the FY2016-17 budget includes the continuation of the tiered rate structure for residential and irrigation water volume billing. Under the tiered structure, customers pay a graduated volume rate based on varying levels of monthly water consumption. Residential volume rates range from \$3.44 to \$6.07 per thousand gallons. Monthly water base rates are increasing by \$1 for residential customers. A wastewater volume charge of \$3.72 per thousand gallons applies to all customer classes and monthly base rates are increasing by \$1. Residential wastewater volume charges are capped at a maximum of 12,000 gallons per month. The City budgeted to continue its pay-as-you-go capital expenses in the Water and Wastewater Fund which includes \$129,000 for replacement of wastewater lines in Cedar Hill Estates and CDBG funding for Phase I of the Oakwood Terrace wastewater line replacements. Additional funding is included for miscellaneous wastewater rehab, miscellaneous valve replacements, and the miscellaneous water rehab project. The City is also setting aside a portion of the anticipated replacement cost of the water and wastewater lines associated with the SH183 Phase II project. The FY2016-17 budget includes \$595,000 in funding for this project bringing the total for capital projects to \$1,000,000 for the year. One-time capital in the amount of approximately \$233,000 is included to complete approved projects carried over from the prior year.

The Texas Star Golf Course and Conference Centre is a vibrant part of the Euless community. This secluded facility, located in the midst of the Dallas/Fort Worth Metroplex, is well-known for world class golf and a challenging course that has been recognized as a premier municipal facility by leading golf publications, including *Golf Digest* and *Golfweek*. Additionally, Raven's Grille ranked in the top five for best service and best place to dine before or after your golf experience by *Avid Golfer*. The Conference Centre has 7,000 square feet of divisible space and hosts business conferences, weddings, concerts, and other events. Proposed revenues of \$4,476,442 and proposed operating expenses of \$4,417,580 comprise the FY2016-17 operating budget.

Request for Information

The financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Janina Jewell, Director of Finance, at 201 North Ector Drive, Euless, Texas 76039, call (817) 685-1626, or e-mail jjewell@eulesstx.gov.

CITY OF EULESS, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Deposits and investments	\$ 44,135,732	\$ 16,327,755	\$ 60,463,487
Receivables, net of allowances	8,227,220	3,528,039	11,755,259
Internal balances	(2,444,968)	2,444,968	-
Inventories, at cost	10,867	290,423	301,290
Prepaid items	501,770	72,789	574,559
Restricted assets			
Deposits and investments	13,538,709	6,978,582	20,517,291
Net OPEB asset	636,608	148,215	784,823
Capital assets			
Land and construction in progress	39,992,484	8,888,168	48,880,652
Other capital assets, net of accumulated depreciation	101,718,732	61,558,223	163,276,955
Total assets	<u>206,317,154</u>	<u>100,237,162</u>	<u>306,554,316</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	11,124,911	2,056,308	13,181,219
Deferred charges on refunding	659,419	658,659	1,318,078
Total deferred outflows of resources	<u>11,784,330</u>	<u>2,714,967</u>	<u>14,499,297</u>
LIABILITIES			
Accounts payable	12,551,912	2,558,042	15,109,954
Accrued liabilities	2,421,784	263,473	2,685,257
Accrued interest payable	199,759	54,403	254,162
Unearned revenue	237,256	97,614	334,870
Money held in escrow	-	1,839,342	1,839,342
Noncurrent liabilities			
Due within one year	4,115,118	1,263,922	5,379,040
Due in more than one year	68,111,755	19,366,468	87,478,223
Total liabilities	<u>87,637,584</u>	<u>25,443,264</u>	<u>113,080,848</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	1,208,781	223,426	1,432,207
Total deferred inflows of resources	<u>1,208,781</u>	<u>223,426</u>	<u>1,432,207</u>
NET POSITION			
Net investment in capital assets	108,135,655	59,184,256	167,319,911
Restricted for			
Debt service	1,954,433	733,164	2,687,597
Capital projects	12,715,424	4,265,268	16,980,692
Impact fees	-	1,980,150	1,980,150
Developer agreements	1,977,963	-	1,977,963
Court technology	121,041	-	121,041
Juvenile cases	213,386	-	213,386
Cable PEG fees	525,451	-	525,451
Historical preservation	1,245	-	1,245
Unrestricted	3,610,521	11,122,601	14,733,122
Total net position	<u>\$ 129,255,119</u>	<u>\$ 77,285,439</u>	<u>\$ 206,540,558</u>

The Notes to the Basic Financial Statements
are an integral part of these statements.

CITY OF EULESS, TEXAS
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business - Type Activities	Total
Primary government							
Governmental activities							
Culture and recreation	\$ 6,998,904	\$ 291,349	\$ 262	\$ 88,073	\$ (6,619,220)	\$ -	\$ (6,619,220)
Development services	918,214	1,717,416	-	-	799,202	-	799,202
General and administrative	20,722,236	1,285,797	14,955	-	(19,421,484)	-	(19,421,484)
Highways and streets	3,708,184	350,920	-	3,287,660	(69,604)	-	(69,604)
Public safety	26,673,966	3,383,743	562,790	-	(22,727,433)	-	(22,727,433)
Interest and fiscal agent charges	1,807,001	-	-	-	(1,807,001)	-	(1,807,001)
Total governmental activities	60,828,505	7,029,225	578,007	3,375,733	(49,845,540)	-	(49,845,540)
Business-type activities							
Water and wastewater	21,009,701	23,759,236	-	2,183,707	-	4,933,242	4,933,242
Drainage utility	1,414,483	725,152	-	759,481	-	70,150	70,150
Golf course	4,409,773	4,187,728	-	-	-	(222,045)	(222,045)
Other recreation enterprises	2,211,065	2,059,413	-	-	-	(151,652)	(151,652)
Total business-type activities	29,045,022	30,731,529	-	2,943,188	-	4,629,695	4,629,695
Total primary government	\$ 89,873,527	\$ 37,760,754	\$ 578,007	\$ 6,318,921	(49,845,540)	4,629,695	(45,215,845)
General Revenues							
Taxes							
Property taxes, levied for general purposes					14,752,044	-	14,752,044
Sales taxes					20,364,878	-	20,364,878
Car rental taxes					14,842,109	-	14,842,109
Mixed beverage taxes					101,503	-	101,503
Hotel/motel occupancy taxes					696,805	-	696,805
Gross receipts taxes					4,467,535	-	4,467,535
Investment income					271,786	104,618	376,404
Rents and royalties					1,105,829	-	1,105,829
Gain on sale of capital assets					-	13,185	13,185
Miscellaneous					692,939	-	692,939
Transfers					(703,751)	703,751	-
Total general revenues and transfers					56,591,677	821,554	57,413,231
Change in net position					6,746,137	5,451,249	12,197,386
NET POSITION, beginning of year					122,508,982	71,834,190	194,343,172
NET POSITION, end of year					\$129,255,119	\$ 77,285,439	\$206,540,558

The Notes to the Basic Financial Statements are an integral part of these statements.

CITY OF EULESS, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Car Rental Tax Fund	TIRZ #4 Midtown CIP Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	\$ 12,585,327	\$ 1,093,516	\$ 9,315,643	\$ -	\$ 12,868,355	\$ 35,862,841
Receivables						
Property taxes	391,095	161,619	-	-	-	552,714
Accounts receivable	802,072	-	-	-	337,370	1,139,442
Accrued interest receivable	25,999	7,950	3,417	4,387	4,667	46,420
Due from other governments	2,263,862	-	2,449,251	-	1,368,783	6,081,896
Prepays and deposits	24,383	-	-	-	7,738	32,121
Inventories, at cost	10,867	-	-	-	-	10,867
Restricted deposits and investments	-	1,250,000	-	11,288,984	999,725	13,538,709
Total assets	<u>\$ 16,103,605</u>	<u>\$ 2,513,085</u>	<u>\$ 11,768,311</u>	<u>\$ 11,293,371</u>	<u>\$ 15,586,638</u>	<u>\$ 57,265,010</u>
LIABILITIES						
Accounts payable	\$ 1,532,567	\$ 4,160	\$ 8,990,423	\$ 827,672	\$ 905,330	\$ 12,260,152
Accrued liabilities	1,368,049	3,010	-	-	192,578	1,563,637
Unearned revenue	140,165	41,250	-	-	55,841	237,256
Total liabilities	<u>3,040,781</u>	<u>48,420</u>	<u>8,990,423</u>	<u>827,672</u>	<u>1,153,749</u>	<u>14,061,045</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	395,215	158,644	-	-	-	553,859
Unavailable revenue - other	424,139	-	-	-	4,558	428,697
Total deferred inflows of resources	<u>819,354</u>	<u>158,644</u>	<u>-</u>	<u>-</u>	<u>4,558</u>	<u>982,556</u>
FUND BALANCES						
Nonspendable						
Prepays, deposits, and inventories	35,250	-	-	-	7,738	42,988
Restricted for						
Debt service	-	1,056,021	-	-	939,527	1,995,548
Capital projects	-	1,250,000	-	10,465,699	999,725	12,715,424
Developer agreements	-	-	-	-	1,977,963	1,977,963
Court technology	121,041	-	-	-	-	121,041
Juvenile case management	-	-	-	-	213,386	213,386
Cable PEG fees	-	-	-	-	525,451	525,451
Historical preservation	-	-	-	-	1,245	1,245
Assigned	113,655	-	2,777,888	-	9,763,296	12,654,839
Unassigned	11,973,524	-	-	-	-	11,973,524
Total fund balances	<u>12,243,470</u>	<u>2,306,021</u>	<u>2,777,888</u>	<u>10,465,699</u>	<u>14,428,331</u>	<u>42,221,409</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,103,605</u>	<u>\$ 2,513,085</u>	<u>\$ 11,768,311</u>	<u>\$ 11,293,371</u>	<u>\$ 15,586,638</u>	<u>\$ 57,265,010</u>

The Notes to the Basic Financial Statements
are an integral part of these statements.

**CITY OF EULESS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balances - governmental funds \$ 42,221,409

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of governmental funds are not current financial resources and therefore are not reported in the governmental funds balance sheet. 138,282,572

Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet. (199,759)

Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the internal service funds are net of the amount allocated to business-type activities. 8,976,676

Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements. 982,556

Funds comprising the net other post employment benefit asset are not current financial resources and therefore are not reported in the governmental funds balance sheet. 636,608

Funds comprising the net pension liability (\$22,490,102), deferred inflows (\$1,208,781) and deferred outflows \$11,124,911 of resources related to the pension are not current financial resources and therefore are not reported in the governmental funds balance sheet. (12,573,972)

Long-term liabilities, including bonds payable, deferred charges on refundings, and compensated absences (excluding those of internal service funds) are not due and payable in the current period and therefore are not reported in the fund financial statements. (49,070,971)

Net position of governmental activities \$ 129,255,119

CITY OF EULESS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Car Rental Tax Fund	TIRZ #4 Midtown CIP Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues						
General property tax	\$ 11,164,933	\$ 3,145,692	\$ -	\$ -	\$ 461,007	\$ 14,771,632
Gross receipts tax	4,320,999	-	-	-	843,341	5,164,340
Mixed beverage tax	101,503	-	-	-	-	101,503
General sales tax	12,596,445	-	-	-	7,768,433	20,364,878
Car rental tax	-	-	14,842,109	-	-	14,842,109
Fines and fees	4,461,439	-	-	-	-	4,461,439
Licenses and permits	1,682,431	-	-	-	-	1,682,431
Investment income	97,775	39,925	49,096	-	51,153	237,949
DEA revenues	-	-	-	-	18,274	18,274
Intergovernmental	398,528	-	-	-	109,438	507,966
Rents and royalties	-	552,450	-	-	59,915	612,365
Other revenues	1,015,762	-	-	-	927,245	1,943,007
Total revenues	35,839,815	3,738,067	14,891,205	-	10,238,806	64,707,893
Expenditures						
Current						
Culture and recreation	2,969,137	-	-	-	3,053,920	6,023,057
Development services	654,162	-	-	-	208,409	862,571
General and administrative	8,589,233	-	9,901,339	-	484,544	18,975,116
Highways and streets	1,555,702	-	-	-	133,012	1,688,714
Public safety	22,114,240	-	-	-	2,584,310	24,698,550
Debt service						
Principal	-	3,365,000	-	-	165,000	3,530,000
Interest and fiscal charges	-	1,739,074	-	-	4,376	1,743,450
Capital outlay	608,739	-	2,000,000	4,952,556	7,310,329	14,871,624
Total expenditures	36,491,213	5,104,074	11,901,339	4,952,556	13,943,900	72,393,082
Excess (deficiency) of revenues over (under) expenditures	(651,398)	(1,366,007)	2,989,866	(4,952,556)	(3,705,094)	(7,685,189)
Other financing sources (uses)						
Issuance of debt	-	1,312,020	-	15,418,255	4,029,725	20,760,000
Premiums on issuance of debt	-	403,354	-	-	-	403,354
Transfers in	2,771,820	1,189,731	-	-	3,506,487	7,468,038
Transfers out	(926,282)	(46,918)	(5,177,301)	-	(2,932,540)	(9,083,041)
Total other financing sources (uses)	1,845,538	2,858,187	(5,177,301)	15,418,255	4,603,672	19,548,351
Net change in fund balances	1,194,140	1,492,180	(2,187,435)	10,465,699	898,578	11,863,162
Fund balances, beginning of year	11,049,330	813,841	4,965,323	-	13,529,753	30,358,247
Fund balances, end of year	\$ 12,243,470	\$ 2,306,021	\$ 2,777,888	\$ 10,465,699	\$ 14,428,331	\$ 42,221,409

The Notes to the Basic Financial Statements
are an integral part of these statements.

CITY OF EULESS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

Net change in fund balances - total governmental funds \$ 11,863,162

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount of capital expenditures recorded in the current period. 14,871,624

Governmental funds report cash proceeds from the disposal of capital assets as revenues, while only the net gain/loss on the transaction is reported in the statement of activities and capital contributions are not reported in governmental funds. This is the amount of capital contributions and disposals recorded in the current period. 3,038,542

Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expenses are not reported as expenditures in the governmental funds. (4,905,287)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. (20,760,000)

The repayment of the principal of long-term debt consumes current financial resources of governmental funds, but has no effect on net position. 3,530,000

Governmental funds report the effect of premiums, discounts, and deferred charges on refunding when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. (378,763)

Current year changes in the long-term liabilities for compensated absences and other post employment obligations do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. 408,235

Current year changes in accrued interest payables do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. (63,552)

Changes in the net pension liability, and related deferred inflows and outflows not recognized on the fund financial statements under the modified accrual basis are recognized on the accrual basis in the government-wide financial statements. (1,327,826)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities net of the amount allocated to business-type activities. 564,600

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. (94,598)

Change in net position of governmental activities \$ 6,746,137

The Notes to the Basic Financial Statements are an integral part of these statements.

CITY OF EULESS, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2016

(1 of 2)

ASSETS	Business - Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds	
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds	Total Enterprise Funds	
Current assets						
Deposits and investments	\$ 10,058,615	\$ 1,443,546	\$ 1,466,187	\$ 3,359,407	\$ 16,327,755	\$ 8,272,891
Accounts receivable and unbilled revenue less allowance for uncollectibles of \$25,433 for water and wastewater and \$596 for drainage utility	3,181,633	98,992	201,238	21,461	3,503,324	401,113
Accrued interest receivable	16,053	2,985	3,589	2,088	24,715	3,424
Prepays and deposits	1,530	-	53,232	18,027	72,789	469,649
Inventory	116,257	-	90,314	83,852	290,423	-
Total unrestricted current assets	13,374,088	1,545,523	1,814,560	3,484,835	20,219,006	9,147,077
Restricted deposits and investments						
W&WW impact fees	1,980,150	-	-	-	1,980,150	-
Capital projects	4,265,268	-	-	-	4,265,268	-
Revenue bond reserve for debt service	733,164	-	-	-	733,164	-
Total restricted assets	6,978,582	-	-	-	6,978,582	-
Total current assets	20,352,670	1,545,523	1,814,560	3,484,835	27,197,588	9,147,077
Non-current assets						
Net OPEB asset	108,289	8,205	25,361	6,360	148,215	-
Property, plant, and equipment in service, at cost						
Land	1,576,667	559,826	897,520	584,532	3,618,545	-
Building	97,094	-	3,523,732	488,275	4,109,101	-
Equipment	1,492,750	10,380	623,225	256,615	2,382,970	11,330,769
Improvements	1,055,901	974,001	8,614,304	8,006,174	18,650,380	-
Construction in progress	4,803,227	-	-	466,396	5,269,623	-
Utility system	73,870,377	27,607,581	-	-	101,477,958	-
Total property, plant, and equipment in service	82,896,016	29,151,788	13,658,781	9,801,992	135,508,577	11,330,769
Less accumulated depreciation	39,855,724	13,421,477	6,903,006	4,881,979	65,062,186	7,902,125
Net property, plant, and equipment in service	43,040,292	15,730,311	6,755,775	4,920,013	70,446,391	3,428,644
Total non-current assets	43,148,581	15,738,516	6,781,136	4,926,373	70,594,606	3,428,644
Total assets	63,501,251	17,284,039	8,595,696	8,411,208	97,792,194	12,575,721
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows related to pension	1,529,124	166,947	307,518	52,719	2,056,308	-
Deferred charges on refunding	148,458	-	510,201	-	658,659	-
Total deferred outflows of resources	1,677,582	166,947	817,719	52,719	2,714,967	-

The Notes to the Basic Financial Statements
are an integral part of these statements.

CITY OF EULESS, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business - Type Activities - Enterprise Funds					(2 of 2) Governmental Activities - Internal Service Funds
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES						
Current liabilities						
Payable from current assets						
Accounts payable	\$ 2,200,559	\$ 13,666	\$ 115,580	\$ 228,237	\$ 2,558,042	\$ 289,545
Accrued salaries and wages	182,797	23,768	37,335	19,573	263,473	12,689
Current portion of bonds payable	763,714	-	473,902	-	1,237,616	-
Current portion of compensated absences	19,099	2,157	4,121	929	26,306	-
Accrued insurance claims	-	-	-	-	-	851,843
Unearned revenue	-	-	97,614	-	97,614	-
Accrued interest	37,000	-	17,403	-	54,403	-
Total current liabilities	3,203,169	39,591	745,955	248,739	4,237,454	1,154,077
Non-current liabilities						
Customer and escrow deposits	1,771,047	-	68,295	-	1,839,342	-
Net pension liability	3,145,753	331,858	602,300	101,352	4,181,263	-
Bonds payable	9,519,421	-	5,429,025	-	14,948,446	-
Compensated absences	171,888	19,413	37,092	8,366	236,759	-
Total non-current liabilities	14,608,109	351,271	6,136,712	109,718	21,205,810	-
Total liabilities	17,811,278	390,862	6,882,667	358,457	25,443,264	1,154,077
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	166,139	18,141	33,417	5,729	223,426	-
Total deferred inflows of resources	166,139	18,141	33,417	5,729	223,426	-
NET POSITION						
Net investment in capital assets	37,170,883	15,730,311	1,363,049	4,920,013	59,184,256	3,428,644
Restricted for						
Impact fees	1,980,150	-	-	-	1,980,150	-
Capital projects	4,265,268	-	-	-	4,265,268	-
Debt service	733,164	-	-	-	733,164	-
Unrestricted	3,051,951	1,311,672	1,134,282	3,179,728	8,677,633	7,993,000
Total net position	\$ 47,201,416	\$ 17,041,983	\$ 2,497,331	\$ 8,099,741	74,840,471	\$ 11,421,644
Reconciliation to government-wide statement of net position						
Adjustment to reflect the consolidation of internal service funds' activities related to enterprise funds						2,444,968
Net position of business-type activities						\$ 77,285,439

CITY OF EULESS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Business - Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities -
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds		Internal Service Funds
Operating revenues						
Water service	\$ 12,092,051	\$ -	\$ -	\$ -	\$ 12,092,051	\$ -
Reclaimed water service	321,700	-	-	-	321,700	-
Wastewater service	7,946,103	-	-	-	7,946,103	-
Drainage fees	-	725,151	-	-	725,151	-
Recreation fees	-	-	-	702,298	702,298	-
Insurance premiums	-	-	-	-	-	5,750,197
Service fees and miscellaneous	3,399,382	-	4,187,728	1,357,115	8,944,225	1,797,089
Total operating revenues	23,759,236	725,151	4,187,728	2,059,413	30,731,528	7,547,286
Operating expenses						
General and administrative	454,871	-	-	-	454,871	1,727,323
Water production	7,479,456	-	-	-	7,479,456	-
Water distribution	936,831	-	-	-	936,831	-
Utility engineering	508,006	-	-	-	508,006	-
Wastewater collection and treatment	3,520,741	-	-	-	3,520,741	-
Nondepartmental	4,160,482	-	-	-	4,160,482	-
Geographic information systems	504,886	-	-	-	504,886	-
Service center	1,060,029	-	-	-	1,060,029	-
Drainage	-	666,628	-	-	666,628	-
Recreation classes	-	-	-	690,148	690,148	-
Golf course	-	-	1,608,830	-	1,608,830	-
Pro shop	-	-	421,089	-	421,089	-
Food and beverage	-	-	1,324,847	-	1,324,847	-
Conference center	-	-	276,259	-	276,259	-
Cart operations	-	-	202,990	-	202,990	-
Texas Star Sports Complex	-	-	-	1,147,305	1,147,305	-
Arbor Daze	-	-	-	52,312	52,312	-
Insurance costs	-	-	-	-	-	5,469,732
Depreciation	1,997,528	747,855	391,422	316,707	3,453,512	963,284
Amortization	19,843	-	27,480	(1,279)	46,044	-
Total operating expenses	20,642,673	1,414,483	4,252,917	2,205,193	28,515,266	8,160,339
Operating income (loss)	3,116,563	(689,332)	(65,189)	(145,780)	2,216,262	(613,053)
Nonoperating revenues (expenses)						
Gain (loss) on sale of capital assets	(207)	(693)	11,150	2,935	13,185	33,151
Investment income	82,862	3,614	5,055	13,087	104,618	33,837
Interest expense	(181,747)	-	(146,200)	(2,400)	(330,347)	-
Total nonoperating revenues (expenses), net	(99,092)	2,921	(129,995)	13,622	(212,544)	66,988
Income (loss) before contributions and transfers	3,017,471	(686,411)	(195,184)	(132,158)	2,003,718	(546,065)
Developer contributions	2,183,707	759,482	-	-	2,943,189	-
Transfers in	-	-	345,062	1,481,386	1,826,448	1,136,252
Transfers out	(1,311,398)	(36,299)	-	-	(1,347,697)	-
Net income	3,889,780	36,772	149,878	1,349,228	5,425,658	590,187
Net position, beginning	43,311,636	17,005,211	2,347,453	6,750,513		10,831,457
Net position, end of year	<u>\$ 47,201,416</u>	<u>\$ 17,041,983</u>	<u>\$ 2,497,331</u>	<u>\$ 8,099,741</u>		<u>\$ 11,421,644</u>

Reconciliation to government-wide statement of net position

Adjustment to reflect the consolidation of internal
service funds' activities related to enterprise funds

25,591

Change in net position of business-type activities \$ 5,451,249

CITY OF EULESS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Business - Type Activities - Enterprise Funds					Governmental Activities -
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING ACTIVITIES						
Cash received from customers	\$ 23,746,682	\$ 716,459	\$ 4,156,992	\$ 2,057,760	\$ 30,677,893	\$ 7,257,888
Cash payments to suppliers for goods and services	(16,262,025)	(306,381)	(2,269,874)	(1,175,871)	(20,014,151)	(7,606,710)
Cash payments to employees for services	(3,071,685)	(329,710)	(1,591,143)	(516,731)	(5,509,269)	(119,712)
Net cash provided by (used in) operating activities	4,412,972	80,368	295,975	365,158	5,154,473	(468,534)
NONCAPITAL FINANCING ACTIVITIES						
Transfer in	-	-	345,062	1,481,386	1,826,448	1,136,252
Transfer out	(1,311,398)	(36,299)	-	-	(1,347,697)	-
Net cash provided by (used in) noncapital financing activities	(1,311,398)	(36,299)	345,062	1,481,386	478,751	1,136,252
CAPITAL AND RELATED FINANCING ACTIVITIES						
Developer contributions	469,867	83,634	-	-	553,501	-
Purchase of capital assets	(5,768,165)	-	-	(519,170)	(6,287,335)	(1,226,768)
Interest paid on bonds	(181,707)	-	(148,525)	(3,200)	(333,432)	-
Principal paid on bonds	(635,000)	-	(465,000)	(160,000)	(1,260,000)	-
Proceeds from sale of capital assets	1,201	-	11,675	2,935	15,811	41,555
Net cash used in capital and related financing activities	(6,113,804)	83,634	(601,850)	(679,435)	(7,311,455)	(1,185,213)
INVESTING ACTIVITIES						
Interest received on investments	78,309	3,613	5,117	12,025	99,064	35,197
Net cash provided by investing activities	78,309	3,613	5,117	12,025	99,064	35,197
Net change in cash and cash equivalents	(2,933,921)	131,316	44,304	1,179,134	(1,579,167)	(482,298)
Cash and cash equivalents, beginning of year	19,971,118	1,312,230	1,421,883	2,180,273	24,885,504	8,755,189
Cash and cash equivalents, end of year	<u>\$ 17,037,197</u>	<u>\$ 1,443,546</u>	<u>\$ 1,466,187</u>	<u>\$ 3,359,407</u>	<u>\$ 23,306,337</u>	<u>\$ 8,272,891</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

CITY OF EULESS, TEXAS
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2016

	Business - Type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities - Internal Service Funds
	Water and Wastewater	Drainage Utility	Golf Course	Other Enterprise Funds		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 3,116,563	\$ (689,332)	\$ (65,189)	\$ (145,780)	\$ 2,216,262	\$ (613,053)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	2,017,371	747,855	418,902	315,428	3,499,556	963,284
Changes in assets and liabilities:						
Accounts receivable and unbilled revenue	(81,467)	(19,453)	3,070	(4,922)	(102,772)	(289,398)
Prepays and deposits	129	-	(45,327)	3,640	(41,558)	(469,649)
Inventory	(3,477)	-	18,383	5,763	20,669	-
Net OPEB asset	(73,418)	(10,819)	(18,161)	(2,318)	(104,716)	-
Net pension liability	1,041,394	119,669	216,500	34,714	1,412,277	-
Deferred outflows	(953,485)	(109,383)	(201,984)	(33,531)	(1,298,383)	-
Deferred inflows	92,335	10,761	19,886	3,269	126,251	-
Accounts payable	349,082	11,674	(21,662)	188,067	527,161	(83,948)
Accrued salaries and wages	(168,604)	(2,174)	(35,850)	2,132	(204,496)	8,632
Accrued insurance claims	-	-	-	-	-	15,598
Compensated absences	190,987	21,570	41,213	(1,304)	252,466	-
Customer and escrow deposits	68,912	-	(137)	-	68,775	-
Unearned revenue	(1,183,350)	-	(33,669)	-	(1,217,019)	-
Net cash provided by (used in) operating activities	\$ 4,412,972	\$ 80,368	\$ 295,975	\$ 365,158	\$ 5,154,473	\$ (468,534)
Noncash financing activities						
Developer contributed assets	\$ 1,713,840	\$ 675,848	\$ -	\$ -	\$ 2,389,688	\$ -
Reconciliation of cash to balance sheet:						
Cash - current	\$ 10,058,615	\$ 1,443,546	\$ 1,466,187	\$ 3,359,407	\$ 16,327,755	\$ 8,272,891
Cash - restricted	6,978,582	-	-	-	6,978,582	-
Cash and cash equivalents	\$ 17,037,197	\$ 1,443,546	\$ 1,466,187	\$ 3,359,407	\$ 23,306,337	\$ 8,272,891

The Notes to the Basic Financial Statements
are an integral part of these statements.

CITY OF EULESS, TEXAS
STATEMENT OF NET POSITION – FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Agency Fund	OPEB Trust Fund
ASSETS		
Investments at fair value		
Money market account	\$ 1,421,887	\$ 171,703
Fixed income funds	-	1,638,236
Equity funds	-	2,503,478
	<u>\$ 1,421,887</u>	<u>2,503,478</u>
Total assets	<u>\$ 1,421,887</u>	<u>\$ 4,313,417</u>
LIABILITIES		
Due to other entities	\$ 1,420,547	\$ -
Refunds payable	1,340	-
	<u>1,340</u>	<u>-</u>
Total liabilities	<u>\$ 1,421,887</u>	<u>-</u>
NET POSITION		
Held in trust for OPEB		<u>\$ 4,313,417</u>

CITY OF EULESS, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OPEB TRUST FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>OPEB Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 1,424,405
Other contributions	277,528
Investment income	
Net increase in fair value of investments	336,018
Less: investment expense	<u>(20,261)</u>
Total investment income	<u>315,757</u>
Total additions	2,017,690
DEDUCTIONS	
Insurance claims	1,068,040
Administrative expenses	<u>123,780</u>
Total deductions	<u>1,191,820</u>
Change in net position	825,870
Net position - beginning	<u>3,487,547</u>
Net position - ending	<u><u>\$ 4,313,417</u></u>

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Euless (City) was incorporated on February 24, 1953. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: general government, police and fire protection, emergency ambulance service, road and traffic signal maintenance, water and wastewater operations, drainage system, parks and recreational facilities, courts, library services, planning land use, building inspection, and traffic control.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

The more significant accounting policies of the City are described as follows:

Financial Reporting Entity

As required by GAAP, these basic financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. The blended component units, although legally separate entities, are, in substance, part of the primary government's operations. As such, data from these units is combined with data of the primary government.

Blended Component Units

The City includes four component units in the financial statements. The Euless Development Corporation (Corporation) is used to account for the accumulation of half-cent sales tax proceeds dedicated to building and improving City parks and facilities, enhancing library services, and stimulating economic development activities within the City. The Euless Crime Control and Prevention District (District) is used to account for the accumulation and use of quarter-cent sales tax proceeds dedicated for crime reduction programs. The Corporation and the District are reported as special revenue funds of the primary government. The Boards of Directors of both component units are substantively the same as the City Council. There are seven directors on each board, four of whom are council members which constitutes a voting majority of the City Council. The remaining three board members are residents of the City.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity – Continued

Blended Component Units – Continued

Upon dissolution of the Corporation or the District, the entity's assets will be distributed to the City. Each component unit provides all of its services to the City. The financial statements for the units were obtained from the respective Boards of Directors. Financial information for both entities may be obtained from the City.

The Tax Increment Reinvestment Zone #3 - Glade Parks (TIRZ #3) is also a blended component unit of the City and is reflected in the financial statements as a special revenue fund. TIRZ #3 was created to stimulate development and enhance the value of taxable real property within the boundaries of the zone. Tarrant County and Tarrant County College District are taxing entities participating in TIRZ #3. The Board of Directors of TIRZ #3 is substantially the same as the City Council, and management of the City has operational responsibility for TIRZ #3. The Board is comprised of seven directors, four of whom are council members which constitutes a voting majority of the Board. The remaining three board members are representatives selected by the other participating taxing entities and the Tarrant County Hospital District. Financial information for TIRZ #3 may be obtained from the City.

The Tax Increment Reinvestment Zone #4 – Midtown (TIRZ #4) is also a blended component unit of the City and will be reflected in the financial statements as a special revenue fund. The Midtown CIP Fund is also part of TIRZ#4. TIRZ #4 was created to stimulate development and enhance the value of taxable real property within the boundaries of the zone. Tarrant County, Tarrant County Hospital District, and Tarrant County College District are taxing entities participating in TIRZ #4. The Board of Directors of TIRZ #4 is substantially the same as the City Council, and management of the City has operational responsibility for TIRZ #4. The Board is comprised of seven directors, four of whom are council members which constitutes a voting majority of the Board. The remaining three board members are representatives selected by the other participating taxing entities. Financial information for TIRZ #4 may be obtained from the City.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City, except fiduciary funds. The effect of interfund activity, with the exception of interfund services provided or used, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate compliance with various legal provisions. Separate statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources. The City has presented the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from property taxes levied by the City. The fund balance of the Debt Service Fund is restricted for debt service expenditures and for unspent debt proceeds.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Car Rental Tax Fund

The Car Rental Tax Fund is used to account for revenues received from the collection of short-term motor vehicle rental taxes and the expenditures thereof. Per contractual agreement, revenues are shared with the cities of Dallas and Fort Worth. The City's portion of the revenues is used primarily for debt reduction, one-time capital projects, and to maintain the property tax rate.

TIRZ #4 Midtown Capital Improvements Project (CIP) Fund

The TIRZ #4 Midtown CIP Fund is used to account for construction projects and the means of financing such projects within the development area generally known as Eules Midtown.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the statement of net position. The City has presented the following major proprietary funds:

Water and Wastewater Fund

Water and Wastewater Fund is used to account for the acquisition, operation and maintenance of a municipal water and wastewater utility, supported primarily by user charges.

Drainage Utility Fund

Drainage Utility Fund is used to account for the acquisition, operation, and maintenance of a municipal drainage utility, supported primarily by user charges.

Golf Course Fund

Golf Course Fund is used to account for operation and maintenance of the City's golf course, supported primarily by user charges.

Additionally, the City reports the Internal Service Funds which are used to account for equipment replacement, risk management, and self-funded health insurance coverage and disability insurance provided to employees of the City.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

The City also reports two fiduciary funds in the financial statements. The Stars Center Escrow Fund accounts for investments that will be held on behalf of the Dallas Stars until the debt issued for the specific purpose of purchasing the Star Center is fully repaid. The OPEB Trust Fund accounts for the accumulation and use of resources for benefit payments related to post-employment health care.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred inflows/outflows of resources, and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases and decreases in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water, wastewater, and drainage services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes and other revenues as available if they are collected within 60 days of year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and other long-term liabilities are recorded only when payment is due.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

The significant revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes and short-term motor vehicle rental taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. All other governmental fund revenues are recognized when received.

Deposits and Investments

Substantially all operating cash, deposits, and short-term investments are maintained in consolidated cash accounts or individual fund investment accounts. Related interest income is allocated to the various funds based primarily on ownership by each fund of specific investments. Cash equivalents consist of highly-liquid investments with original maturities of three months or less.

For purposes of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents.

Investments in U.S. Treasury and agency obligations with maturities of one year or less when purchased are reported at amortized cost. All other investments are reported at fair value.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the State of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds, and certificates of deposits within established criterion.

Taxes

Property taxes are levied for appropriation for the fiscal year beginning on October 1, are due October 1, attach as an enforceable lien on property as of January 1, and become delinquent on February 1. Property taxes are accrued based on the period for which they are levied and available. Delinquent taxes estimated not to be available are treated as deferred inflows of resources. Property taxes for cities, including those applicable to debt service, are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The City's current tax rate is \$.4675 per \$100 of assessed valuation (\$.4675 per \$100 last year) and assessed valuation is approximately 100% of estimated value.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus and Basis of Accounting – Continued

Inventories

Inventories, which are recognized as expenditures/expenses as consumed, are stated at cost (first-in, first-out method) for the General Fund and Enterprise Funds. Inventories consist primarily of expendable supplies for the General Fund and merchandise for resale for the Enterprise Funds.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and are recognized as expenditures utilizing the consumption method.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Transactions Between Funds

Interfund services provided and used are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as a reduction of expenditures or expenses in the fund reimbursed. All other interfund transactions are recorded as transfers.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets - Continued

Assets capitalized have an original cost of \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	33 1/3 years
Water and wastewater system	33 1/3 years
Storm drainage system	33 1/3 years
Infrastructure	7 - 40 years
Machinery and equipment	5 - 15 years
Improvements	25 years

Compensated Absences

Employees may accumulate a maximum of two times their annual vacation accrual. The City's policy is to pay the employee accumulated vacation upon termination. The City does not pay employees for accumulated sick leave upon termination. The short-term portion of vacation pay accrued in the proprietary fund financial statements is reported as accrued salaries and wages (a current liability). The long-term component is reflected in non-current liabilities as compensated absences. Compensated absences are recorded in governmental funds as they mature (i.e. as taken). The liability for governmental fund compensated absences is typically liquidated in the general fund, the juvenile case fund, the half-penny sales tax fund, and the crime control and prevention district fund.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classifications

Fund balances are classified as follows on the governmental fund financial statements:

	Reported in					
	General Fund	Debt Service Fund	Car Rental Tax Fund	Midtown CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	35,250	\$ -	\$ -	\$ -	\$ 7,738	\$ 42,988
Restricted for						
Debt service	-	1,056,021	-	-	939,527	1,995,548
Capital projects	-	1,250,000	-	10,465,699	999,725	12,715,424
Developer agreements	-	-	-	-	1,977,963	1,977,963
Court technology	121,041	-	-	-	-	121,041
Juvenile case processing	-	-	-	-	213,386	213,386
Cable PEG fees	-	-	-	-	525,451	525,451
Historical preservation	-	-	-	-	1,245	1,245
Assigned						
Capital projects	-	-	-	-	3,806,228	3,806,228
Betterments	35,695	-	-	-	-	35,695
Emergency/radio systems	47,230	-	-	-	-	47,230
Tourism and conference facilities	-	-	-	-	461,872	461,872
Parks, library, and economic development	-	-	-	-	3,052,552	3,052,552
Police department	-	-	-	-	2,262,828	2,262,828
Grants	-	-	-	-	19,455	19,455
Other	30,730	-	2,777,888	-	160,361	2,968,979
Unassigned	11,973,524	-	-	-	-	11,973,524
Total	\$ 12,243,470	\$ 2,306,021	\$ 2,777,888	\$ 10,465,699	\$ 14,428,331	\$ 42,221,409

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items and inventory as being nonspendable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classifications – Continued

The City has recorded the following restrictions at year-end:

- a. Restricted for debt service represents that portion of fund equity legally restricted for retirement of bond principal and payment of interest and related charges.
- b. Restricted for capital projects represents that portion of fund equity legally restricted by debt covenant for capital projects.
- c. Restricted for developer agreements represents the portion of fund equity that must be used for future improvements to various development areas within the City.
- d. Restricted for court technology represents funds collected from a court technology fee that must be used to upgrade court systems.
- e. Restricted for juvenile case processing represents funds collected from a fee on municipal court citations that must be used to support the expenditures associated with juvenile case processing.
- f. Restricted for cable PEG fees represents the portion of fund equity that must be used for the expansion of the City's public, educational, and government access channel.
- g. Restricted for historical preservation represents donations that must be used toward the preservation of the City's historical sites.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has no committed fund balance at year-end.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council delegates the authority for determining this intent to the City Manager. Assignments are made at the City Manager's discretion, but generally represent items for which specific funds have been informally dedicated internally. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has recorded the following assignments at year-end:

- a. Assigned for capital projects represents revenue sources that are to be used for capital projects for the City.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classifications – Continued

- b. Assigned for betterment represents funds donated by citizens that are to be used for the betterment of the community.
- c. Assigned for emergency/radio systems represents funding that is to be used to upgrade emergency and radio systems.
- d. Assigned for tourism and conference facilities represents funds to promote the City through tourism, conference booking, and historical preservation.
- e. Assigned for parks, libraries, and economic development represents funds from sales taxes that are to be used for park improvements, library activities, and economic development throughout the City.
- f. Assigned for the police department are funds from the Crime Control and Prevention District and the sale of assets seized in connection with drug arrests to be used for police department expenditures.
- g. Assigned for grants are funds from grant revenues that are to be spent in accordance with grant provisions.
- h. Assigned for other are funds from specific revenues that are to be spent for facility remodel, victim assistance, and injured animals.

Unassigned: This classification includes all amounts that are not included in other spendable classifications. The General Fund is the only fund that reports a positive unassigned fund balance.

When available, the City uses restricted fund balances first, followed by committed resources, assigned resources, then unassigned resources, as appropriate opportunities arise. However, the City reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources of governmental and business-type activities and proprietary funds. Net investment in capital assets consists of capital assets, net of accumulated depreciation, plus capital-related deferred outflows of resources, reduced by the outstanding balances of any borrowing and capital related deferred inflows of resources used for the acquisition, construction, or improvements of those assets, plus unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The difference in expected and actual pension experience and the actuarial assumption changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

State statutes and the City's investment policy require that all uninsured deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies or instrumentalities or direct obligations of Texas or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2016. At year-end, the carrying amount of the City's deposits was \$4,081,244 with a bank balance of \$4,929,786.

The total bank balance is covered by Federal Depository Insurance Corporation (FDIC) insurance or by collateral for balances in excess of FDIC coverage. Collateral is held by the Federal Reserve Bank in the City's name under a joint safekeeping agreement with Frost National Bank for City deposits at Frost Bank. The market value of the collateral at the close of the fiscal year was \$3,114,323. The balances at Bank of Texas (BOT) are covered by FDIC insurance and collateral pledged to cover the balances in the BOT short-term cash fund.

Investments

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in obligations of the U.S. Government and its agencies and instrumentalities, obligations of the State of Texas and its agencies and instrumentalities, fully insured or collateralized certificates of deposit, fully-collateralized repurchase agreements and reverse repurchase agreements, government pools, and no-load SEC-registered money market funds consisting of any of these securities listed.

Because the City is responsible for the investment portfolio of its component units, the City's investment practices and policies disclosed herein apply equally to its component units. During the year ended September 30, 2016, the City did not own any types of securities other than those permitted by statute.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Investment Type	Book Value	Fair Value Level 2	% of Portfolio	WAM	Rating	Rating Agency
Interest bearing bank deposits	\$ 4,929,786	\$ -	6%			
Investments measured at amortized cost:						
Investment Pools:						
TexPool	21,750,451	-	26%	44	AAAm	S&P
TexSTAR	27,548,656	-	33%	43	AAAm	S&P
Investments measured at fair value:						
U.S. Government Agency Securities:						
FFCB	7,347,199	7,354,523	9%	24	AA+/Aaa	S&P/Moody's
FHLB	12,573,209	12,585,760	15%	26	AA+/Aaa	S&P/Moody's
FHLMC	9,561,906	9,573,757	11%	34	AA+/Aaa	S&P/Moody's
Investments measured at cost:						
Bank of Texas - CD	47,000	-	0%	N/A		Not rated
Total	<u>\$ 83,758,207</u>	<u>\$ 29,514,040</u>	<u>100%</u>			

Weighted average maturity (WAM) of the portfolio by investment type categories reflected in the previous table is stated in days. For the investment pools, the Reset WAM is presented. Investment type acronyms displayed in the previous table are defined as follows: FFCB – Federal Farm Credit Bank, FHLB – Federal Home Loan Bank, and FHLMC – Federal Home Loan Mortgage Corporation. The rating agency acronyms are defined as follows: S&P – Standard and Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. and Moody’s – Moody’s Investor Service, Inc. Additional information about the rating agency or the significance of the ratings provided may be obtained from the agency’s web site.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs – other than quoted prices included within Level 1– that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City has recurring fair value measurements as presented in the previous table. The City's investment balances and weighted average maturity of such investments are as shown.

Investment Pools are measured at amortized cost and are exempt from fair value reporting.

U.S. Government Agency Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Certificates of Deposit are measured at cost and are exempt from fair value reporting.

Both of the public fund investment pools (pools) in which the City is a participant use amortized cost to value the portfolio. Amortized cost, in most cases, approximates the market value of the securities held. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The pools in which the City invests transact at a net asset value of \$1.00 per share, have a weighted average maturity of 60 days or less and weighted average life of 120 days or less, hold investments that are highly rated by a nationally recognized statistical rating organization, have no more than 5% of the portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions.

The TexPool investment pool is an external investment pool valued at amortized costs. TexPool, has a redemption notice period of one day and has no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pools' liquidity.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

The TexSTAR investment pool is an external investment pool measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. TexSTAR has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pools' liquidity.

TexPool falls under the purview of the Texas Comptroller of Public Accounts (Comptroller) who is responsible for oversight of TexPool operations. Federated Investors is responsible for managing pool assets and day-to-day operations. TexSTAR is duly chartered and administered by Hilltop Securities Inc. and JP Morgan Investment Management, Inc. TexSTAR has established a governing board that is partially comprised of pool participants. Duties of the governing board include oversight responsibility. The Comptroller and the governing board exercise oversight of the pools' activities via daily, weekly, and monthly reporting requirements.

Additionally, per the requirements of the Public Funds Investment Act (PFIA), all pools will maintain an AAA or equivalent rating from at least one nationally recognized rating agency. The PFIA also requires an annual examination of the financial statements of the pools by an independent certified public accounting firm. In connection with the financial audit, a compliance audit of management controls on investments and adherence to the investment policies is also required.

Interest Rate Risk

In compliance with the City's Investment Policy, as of September 30, 2016, the City minimized the interest rate risk, the risk relating to the decline in market value of securities in the portfolio, by: limiting the weighted average maturity to 365 days and the stated maturity to two years or less, with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the PFIA; and investing funds primarily in money market mutual funds, government investment pools, and shorter-term securities with a weighted average maturity of less than 200 days.

The following table details the maturity schedule for the City's investments as of September 30, 2016:

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS – CONTINUED

Investments – Continued

Maturity Schedule	Book Value	Fair Value	% of Portfolio
Overnight	\$ 54,228,893	\$ 54,228,893	64.7%
Less than 1 month	650,499	650,810	0.8%
1 to 6 months	12,449,960	12,459,363	14.9%
6 to 9 months	4,086,240	4,097,613	4.9%
9 to 12 months	2,549,166	2,550,750	3.0%
12 to 18 months	9,793,449	9,802,504	11.7%
Total	<u>\$ 83,758,207</u>	<u>\$ 83,789,933</u>	<u>100.0%</u>

Credit Risk

In compliance with the City’s Investment Policy, as of September 30, 2016, the City minimized credit risk losses due to default of a security issuer or backer, by: limiting investments to the safest types of securities; primarily investing in U.S. Agency Bonds rated AA+ by Standard & Poor’s; pre-qualifying financial institutions, brokers/dealers, and advisors with which the City will do business; and diversifying the investment portfolio so that the potential losses on securities are minimized.

Custodial credit risk – the risk that a government will not be able to recover (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of deposits in excess of FDIC coverage, utilizes the delivery vs. payment method for investment purchases, and contracts with a third-party collateral safekeeping agent.

Per the terms of its depository agreement, for bank deposits in excess of the coverage provided by the FDIC, the City requires the depository bank to pledge to the City securities (collateral) equal to the 105% of the largest balances the City maintains in the bank. The percentage as shown reflects the requirement based on market value of the pledged securities. The City actively monitors and manages collateral levels for all deposits. On September 30, 2016, the City’s bank balances were insured or fully collateralized.

The City’s depository bank also acts as its safekeeping agent per the terms of the depository contract. City policy dictates that all securities rendered for payment will be sent delivery vs. payment, meaning that the funds required for purchase of a security will not be released until the safekeeping agent has received the security purchased in the City’s name. No broker holds City funds. The City does not purchase securities from its depository bank or any subsidiary banks of the same bank holding company.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance Beginning of Year	Increase	Decrease	Adjustment/ Transfer	Balance End of Year
Governmental activities					
Capital assets not being depreciated					
Land	\$ 28,107,365	\$ 1,544,077	\$ -	\$ 42,255	\$ 29,693,697
Construction in progress	9,167,287	14,512,816	-	(13,381,316)	10,298,787
Total capital assets not being depreciated	37,274,652	16,056,893	-	(13,339,061)	39,992,484
Capital assets being depreciated					
Buildings	58,333,637	-	-	35,994	58,369,631
Improvements other than buildings	9,419,196	-	-	2,236,410	11,655,606
Infrastructure	75,267,779	1,505,484	-	11,066,657	87,839,920
Machinery and equipment	10,098,525	390,122	(669,075)	-	9,819,572
Total capital assets being depreciated	153,119,137	1,895,606	(669,075)	13,339,061	167,684,729
Less accumulated depreciation					
Buildings	(20,829,112)	(1,715,231)	-	-	(22,544,343)
Improvements other than buildings	(3,674,104)	(311,267)	-	-	(3,985,371)
Infrastructure	(35,487,718)	(2,019,192)	-	-	(37,506,910)
Machinery and equipment	(5,125,162)	(859,598)	626,743	-	(5,358,017)
Total accumulated depreciation	(65,116,096)	(4,905,288)	626,743	-	(69,394,641)
Total capital assets being depreciated, net	88,003,041	(3,009,682)	(42,332)	13,339,061	98,290,088
Total governmental fund capital assets, net	125,277,693	13,047,211	(42,332)	-	138,282,572
Internal service funds					
Capital assets being depreciated					
Machinery and equipment	10,311,064	1,226,768	(207,063)	-	11,330,769
Total internal service assets being depreciated	10,311,064	1,226,768	(207,063)	-	11,330,769
Less accumulated depreciation					
Machinery and equipment	(7,137,500)	(963,284)	198,659	-	(7,902,125)
Total internal service funds capital assets, net	3,173,564	263,484	(8,404)	-	3,428,644
Total governmental activities capital assets, net	\$ 128,451,257	\$ 13,310,695	\$ (50,736)	\$ -	\$ 141,711,216

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS – CONTINUED

	Balance Beginning of Year	Increase	Decrease	Adjustment/ Transfer	Balance End of Year
Business-type activities					
Capital assets not being depreciated					
Land	\$ 3,618,545	\$ -	\$ -	\$ -	\$ 3,618,545
Construction in progress	270,975	6,003,867	-	(1,005,219)	5,269,623
Total capital assets not being depreciated	3,889,520	6,003,867	-	(1,005,219)	8,888,168
Capital assets being depreciated					
Buildings	4,109,101	-	-	-	4,109,101
Equipment	2,210,910	286,428	(103,408)	(10,960)	2,382,970
Improvements	18,794,860	-	(144,480)	-	18,650,380
Utility system	98,075,051	2,397,688	-	1,005,219	101,477,958
Total capital assets being depreciated	123,189,922	2,684,116	(247,888)	994,259	126,620,409
Less accumulated depreciation					
Buildings	(2,161,290)	(124,603)	-	-	(2,285,893)
Equipment	(1,558,366)	(138,839)	100,782	-	(1,596,423)
Improvements	(9,274,873)	(687,793)	144,480	-	(9,818,186)
Utility system	(48,859,407)	(2,502,277)	-	-	(51,361,684)
Total accumulated depreciation	(61,853,936)	(3,453,512)	245,262	-	(65,062,186)
Total capital assets being depreciated, net	61,335,986	(769,396)	(2,626)	994,259	61,558,223
Total business-type activities capital assets, net	<u>\$ 65,225,506</u>	<u>\$ 5,234,471</u>	<u>\$ (2,626)</u>	<u>\$ (10,960)</u>	<u>\$ 70,446,391</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Governmental activities	
Culture and recreation	\$ 782,092
General administrative	2,513,213
Highways and streets	2,001,062
Public safety	572,205
Total depreciation expense - governmental activities	<u>\$ 5,868,572</u>
Business-type activities	
Water and wastewater	\$ 1,997,528
Drainage utility	747,855
Golf course	391,422
Other recreation enterprises	316,707
Total depreciation expense - business-type activities	<u>\$ 3,453,512</u>

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS – CONTINUED

Outstanding commitments at September 30, 2016, under authorized construction contracts, were \$16,627,843. These outstanding commitments are to be financed by available deposit and investment balances, which include proceeds from previous bond issuances.

NOTE 4. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2016:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due within One Year
Governmental activities					
General obligation bonds	\$20,655,000	\$ -	\$ (3,230,000)	\$ 17,425,000	\$ 2,935,000
Certificates of obligation	8,365,000	19,480,000	(135,000)	27,710,000	360,000
Sales tax revenue bonds	285,000	-	(165,000)	120,000	45,000
Tax notes	-	1,280,000	-	1,280,000	420,000
Premium on bonds	1,136,476	403,354	(171,546)	1,368,284	171,547
Discount on bonds	(142,328)	-	12,736	(129,592)	(12,736)
Net pension liability	14,767,352	15,566,531	(7,843,781)	22,490,102	-
Compensated absences	1,884,023	424,151	(345,095)	1,963,079	196,307
Total governmental activities	46,950,523	37,154,036	(11,877,686)	72,226,873	4,115,118
Business-type activities					
Water and sewer revenue bonds	10,940,000	-	(635,000)	10,305,000	765,000
General obligation refunding bonds	6,320,000	-	(625,000)	5,695,000	455,000
Premiums on bonds	240,857	-	(27,165)	213,692	19,241
Discounts on bonds	(29,256)	-	1,627	(27,629)	(1,625)
Net pension liability	2,768,988	2,873,096	(1,460,822)	4,181,262	-
Compensated absences	257,391	48,604	(42,930)	263,065	26,306
Total business-type activities	20,497,980	2,921,700	(2,789,290)	20,630,390	1,263,922
Total primary government	<u>\$67,448,503</u>	<u>\$40,075,736</u>	<u>\$ (14,666,976)</u>	<u>\$92,857,263</u>	<u>\$5,379,040</u>

General Obligation Bonds

General obligation bonds and general obligation refunding bonds provide funds for the acquisition and construction of major capital equipment, City facilities, and infrastructure assets and the refunding of previously issued debt instruments. General obligation bonds require voter authorization; whereas general obligation refunding bonds do not. General obligation bonds are direct obligations of the City, payable from a continuing and direct ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City as provided in the ordinances authorizing issuance of the bonds.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

General Obligation Bonds – Continued

The City is required to compute an interest and sinking fund tax rate sufficient to cover the annual debt service requirements inclusive of anticipated drawdown of reserves, transfers or revenues from self-supporting debt systems, and other miscellaneous sources.

As of September 30, 2016, general obligation bonds currently outstanding are as follows:

	Interest Rate %	Issue Date	Maturity Date	Principal Outstanding
General Obligation Bonds				
Taxable Refunding, Series 2010	.68% – 4.4%	08/15/2010	08/01/2025	\$5,245,000
Refunding, Series 2011	2% – 4%	01/15/2011	08/15/2021	3,950,000
Refunding, Series 2012	2% – 4%	12/01/2011	02/15/2024	3,825,000
Refunding, Series 2012A	2% – 4%	11/01/2012	02/15/2027	5,695,000
Refunding, Series 2014	3%	10/15/2014	02/15/2020	4,405,000
			Total	<u>\$23,120,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 2,935,000	\$ 589,874	\$ 455,000	\$ 134,675	\$ 4,114,549
2018	3,030,000	496,844	470,000	125,425	4,122,269
2019	2,655,000	406,309	475,000	113,600	3,649,909
2020	2,765,000	316,181	490,000	99,125	3,670,306
2021	1,925,000	229,114	510,000	84,125	2,748,239
2022-2026	4,115,000	360,217	2,710,000	238,948	7,424,165
2027-2030	-	-	585,000	7,678	592,678
Total	<u>\$ 17,425,000</u>	<u>\$ 2,398,539</u>	<u>\$ 5,695,000</u>	<u>\$ 803,576</u>	<u>\$ 26,322,115</u>

The business-type activities general obligation refunding bonds outstanding were issued to refund previously issued golf course debt. The City anticipates repayment of the debt will occur from the golf system revenues. However, these plans are subject to change.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

Certificates of Obligation

Certificates of obligation are issued for many of the same purposes as general obligation bonds, but certificates do not require voter authorization nor may they be used to refund existing debt. The certificates constitute direct obligations of the City, payable from (i) the levy and collection of a direct and continuing ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the Net Revenues of the City’s waterworks and sanitary sewer system.

The City currently has the following certificates of obligation outstanding as of the end of the fiscal year:

Certificates of Obligation	Interest Rate %	Issue Date	Maturity Date	Principal Outstanding
Series 2011	3% – 4.25%	01/15/2011	08/15/2030	\$2,515,000
Series 2014	0% – 5%	10/15/2014	08/15/2034	5,715,000
Series 2015	3% - 5%	10/27/2015	02/15/2035	3,030,000
Series 2016	2% - 4%	01/12/2016	08/15/2041	16,450,000
			Total	<u>\$27,710,000</u>

Annual debt service requirements to maturity for the certificates of obligation are as follows:

Fiscal Year	Governmental Activities		Total
	Principal	Interest	
2017	\$360,000	\$908,182	\$1,268,182
2018	870,000	890,106	1,760,106
2019	1,025,000	860,781	1,885,781
2020	1,070,000	821,081	1,891,081
2021	1,100,000	784,906	1,884,906
2022-2026	6,115,000	3,293,806	9,408,806
2027-2031	6,965,000	2,228,672	9,193,672
2032-2036	6,000,000	1,169,822	7,169,822
2037-2041	4,205,000	380,681	4,585,681
Total	<u>\$27,710,000</u>	<u>\$11,338,037</u>	<u>\$39,048,037</u>

Revenue Bonds

Each series of revenue bonds is backed by the pledged revenue sources identified in the bond ordinances authorizing issuance of the bonds. The purpose and primary pledged revenue sources of each type of revenue bond are summarized as follows.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

Revenue Bonds – Continued

Half-penny sales tax fund issues sales tax revenue bonds (STRB) to finance library, park, and economic development projects throughout the City. Sales tax revenue bonds are special obligations of the Eules Development Corporation (EDC), payable solely from and secured by a lien on and pledge of certain Pledged Revenues which includes the gross proceeds of a ½¢ sales and use tax levied within the City for the benefit of the EDC. The EDC is reflected in the financial statements of the City as a special revenue fund. Accordingly, the EDC’s debt is reflected in governmental activities debt.

Water and wastewater fund issues revenue bonds (W&WW) for the construction of and improvement to the City’s combined waterworks and sanitary sewer infrastructure or to refund previously issued revenue bonds. Water and sewer revenue bonds and refunding bonds are payable solely from and equally secured by a first lien on and pledge of the net revenues of the City’s water and wastewater system.

	Interest Rate %	Issue Date	Maturity Date	Principal Outstanding
Revenue Bonds				
STRB Refunding, Series 2012	1.43%	01/12/2012	09/15/2019	\$ 120,000
W&WW Refunding, Series 2012	2.03%	03/29/2012	07/15/2024	2,055,000
W&WW Improvement, Series 2013	2% – 5%	06/25/2013	07/15/2033	1,405,000
W&WW Improvement, Series 2015A	0% - 1.98%	06/15/2015	07/15/2035	4,465,000
W&WW Improvement, Series 2015B	0% - 1.68%	06/15/2015	07/15/2035	2,380,000
			Total	<u>\$ 10,425,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2017	\$ 45,000	\$1,716	\$ 765,000	\$ 177,600	\$ 989,316
2018	35,000	1,073	780,000	168,392	984,465
2019	40,000	572	790,000	158,829	989,401
2020	–	–	800,000	148,820	948,820
2021	–	–	540,000	138,022	678,022
2022-2026	–	–	2,505,000	574,817	3,079,817
2027-2031	–	–	2,315,000	360,760	2,675,760
2032-2035	–	–	1,810,000	90,180	1,900,180
Total	<u>\$120,000</u>	<u>\$3,361</u>	<u>\$10,305,000</u>	<u>\$1,817,420</u>	<u>\$12,245,781</u>

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

Revenue Bonds – Continued

The gross ½¢ sales tax revenues of the EDC recognized in the year ending September 30, 2016 totaled \$5,100,060. The principal and interest payments on the EDC debt for the same period totaled \$169,076 which equates to approximately 3.3% of the gross ½¢ sales tax revenues.

The recognized net revenues of the water and wastewater fund totaled \$3,199,218 for the year ending September 30, 2016. Principal and interest payments on the water and sewer revenue bonds totaled \$816,707 which equates to approximately 25.5% of net system revenues.

Tax Notes

Tax notes are issued for the purchase of certain specified materials, supplies, equipment, and machinery for the City’s authorized needs and purposes. In 2016, tax notes were issued for purchases of a fire truck and other related equipment; and professional services rendered in relation thereto.

The City currently has the following tax notes outstanding as of the end of the fiscal year:

	Interest Rate %	Issue Date	Maturity Date	Principal Outstanding
Tax Notes Series 2016	1.16%	08/30/2016	02/15/2019	\$1,280,000

Annual debt service requirements to maturity for the tax notes are as follows:

Fiscal Year	Governmental Activities		Total
	Principal	Interest	
2017	\$420,000	\$13,033	\$433,033
2018	425,000	9,976	434,976
2019	435,000	5,046	440,046
Total	\$1,280,000	\$28,055	\$1,308,055

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4. LONG-TERM DEBT – CONTINUED

Annual Requirements to Retire Debt Obligations

In accordance with the water and sewer revenue and refunding bond ordinances, the following reserves were established:

Reserve for revenue bond debt service – to be used for retirement of the current portion of principal and interest payments due.

Reserve for emergency – to be used for payment of extraordinary repairs or replacements to the system necessitated by an emergency for which no other funds are available.

Revenue bond reserve – a reserve established with a portion of the bond proceeds pursuant to the revenue bond covenants which will be used for principal and interest payments in the event of default by the issuer.

Should the reserve for revenue bond debt service and/or the revenue bond reserve prove deficient, the reserve for emergency shall be used for the purpose of meeting principal and/or interest requirements of the bonds.

All funding requirements for the above reserves were met at September 30, 2016.

Investments of funds included in the bond reserve and emergency accounts are restricted to obligations of the United States or its agencies or instrumentalities (except for mortgage pass-through securities).

Water and sewer revenue bonds authorized and unissued as of September 30, 2016, amounted to \$1,200,000. The water and sewer bonds were authorized in 1970, and currently the City Council has no intent to issue these bonds.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 5. COMMITMENTS AND CONTINGENT LIABILITIES

The City entered into a contract dated January 21, 1972, with Trinity River Authority (TRA) whereby TRA agreed to provide treated water to the City. This contract was for an original term of thirty-five (35) years and continues in effect until all bonds, or any bonds issued to refund same, have been paid in full. Additionally, on October 10, 1973, the City entered into a contract with TRA to provide wastewater treatment services to the City. The contract remains in force and effect for a period of fifty (50) years and thereafter until any bonds, or any bonds issued to refund same, have been paid in full. Payments by the City are based on metered usage at rates designed to charge the City a prorata share of TRA's annual operating and maintenance expenses and principal and interest requirements on bonds issued by TRA. Payments under these contracts approximated \$9,571,504 and are included as operating expenses of the water and wastewater fund.

The City entered into a 20-year contract dated February 2, 2010, with the City of Fort Worth (Fort Worth) whereby Fort Worth agreed to provide reclaimed water service to the City. Payments by the City are based on metered volume. Payments under this contract were \$204,354 in the year ended September 30, 2016 and are included as operating expenses of the water and wastewater fund.

The City is involved in a number of lawsuits arising in the ordinary course of business. In the opinion of the City's legal counsel and management, any liability resulting from such litigation would not be material in relation to the City's financial position.

NOTE 6. SERVICE CENTER

The water and wastewater enterprise fund historically bears the major portion of the operating costs of the City's service center, which provides services to all City departments.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. INTERFUND TRANSFERS

All interfund transfers between the various funds are approved supplements to the operations of those funds.

	Transfers in			Subtotal governmental
	General	Debt service	Non-major governmental	
<u>Transfers out</u>				
General	\$ -	\$ -	\$ 685,794	\$ 685,794
Debt service	-	-	46,918	46,918
Car rental tax	1,649,123	198,151	2,643,775	4,491,049
Water and wastewater	1,086,398	-	-	1,086,398
Drainage utility	36,299	-	-	36,299
Nonmajor governmental	-	991,580	130,000	1,121,580
Total transfers in	<u>\$ 2,771,820</u>	<u>\$ 1,189,731</u>	<u>\$ 3,506,487</u>	<u>\$ 7,468,038</u>

	Transfers in			Subtotal proprietary	Total transfers out
	Golf course	Non-major proprietary	Internal service		
<u>Transfers out</u>					
General	\$ 15,488	\$ -	\$ 225,000	\$ 240,488	\$ 926,282
Debt service	-	-	-	-	46,918
Car rental tax	-	-	686,252	686,252	5,177,301
Water and wastewater	-	-	225,000	225,000	1,311,398
Drainage utility	-	-	-	-	36,299
Nonmajor governmental	329,574	1,481,386	-	1,810,960	2,932,540
Total transfers in	<u>\$ 345,062</u>	<u>\$ 1,481,386</u>	<u>\$ 1,136,252</u>	<u>\$ 2,962,700</u>	<u>\$ 10,430,738</u>

Transfers are primarily used to move funds from:

- The general fund to the non-major governmental fund to satisfy grant matching requirements and to provide funding for approved capital projects and to the golf course fund for sales tax rebates.
- The car rental tax fund, the water and wastewater fund, and the drainage utility fund to the general fund for general and administrative charges.
- The car rental tax fund to the debt service fund for the principal and interest on previously issued bonds.
- The car rental tax fund to the non-major governmental funds for approved capital projects.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 7. INTERFUND TRANSFERS – CONTINUED

- The non-major governmental funds to the debt service fund for the debt service payments on previously issued debt.
- The non-major governmental funds to the other non-major governmental funds for approved projects.
- The general fund and water and wastewater fund to the internal service funds for workers' compensation and general liability insurance claims.
- The car rental fund to the internal service fund for equipment purchases and to increase insurance reserves.
- The non-major governmental funds to the golf course fund to cover a portion of the operating and debt costs associated with the conference center.
- The debt service fund to non-major funds for the transfer of bond proceeds for approved capital projects.
- The non-major governmental funds to the non-major enterprise funds to provide funding for approved capital and one-time projects.

NOTE 8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Joint Self-Insurance Fund (TMLIF) to provide both general liability and property insurance.

The City, along with other participating entities, contributes annual amounts determined by TMLIF management. As claims arise they are submitted to and paid by TMLIF. The City is not liable for payments beyond their annual contributions to TMLIF and related deductibles.

In fiscal year 2006, the City contracted with the Texas Municipal League Intergovernmental Risk Pool to provide workers' compensation insurance and effectively discontinued being self-insured for workers' compensation claims. This policy has no deductibles, includes all claims handling, and has a fixed premium.

In fiscal years prior to 2006, the City was self-insured for workers' compensation claims. Contributions were made to a separate risk management fund by other funds and were available to pay claims, claim reserves, and administrative costs of the program. The City remains liable under its self-insurance program for any claims occurring prior to October 1, 2005.

The City provides employee health insurance coverage on a self-insured basis. Premiums are paid into a separate insurance fund by other funds, by the City's employees, and by retirees. The premiums are used to fund claims, administrative costs of the program, and claim reserves. An excess coverage insurance policy covers individual claims in excess of

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 8. RISK MANAGEMENT – CONTINUED

\$100,000 and aggregate claims in excess of \$5,282,251. During fiscal year 2016, the City and the City's employees contributed approximately \$3,961,435 and \$1,331,851 respectively, for medical coverage.

The City's contributions are accounted for as interfund services provided and used. Claims liabilities are based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported, and are accounted for in the Insurance Internal Service Fund.

Changes in the balances of health and dental claims liabilities for the years ended September 30, 2016 and 2015 are as follows:

	2016	2015
Unpaid claims, beginning of year	\$ 507,500	\$ 487,899
Incurred claims	5,498,859	4,415,030
Paid claims	(5,157,359)	(4,395,429)
Unpaid claims, end of year	\$ 849,000	\$ 507,500

Settlement amounts have not exceeded stop loss insurance coverage for the year ended September 30, 2016 or any of the three preceding years ended September 30.

NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN – CONTINUED

Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
A member is vested after	5 years
Service retirement eligibility	20 years at any age, 5 years at 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI

Members can retire at certain ages, based on the years of service in TMRS. The Service Retirement Eligibilities for the City are 5 years at 60 years of age or 20 years in TMRS at any age.

Employees Covered By Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	203
Inactive employees entitled to, but not yet receiving benefits	143
Active employees	374
Total	<u><u>720</u></u>

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN – CONTINUED

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the year ended September 30, 2016. The contribution rates for the City were 18.05% and 17.49% in calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$4,670,520 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustments, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%.

The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustments are used with Male rates

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study Analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 9. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN – CONTINUED

Changes in the Net Pension Liability

	Increase (Decrease)		
	TPL (a)	Plan Fiduciary Net Position (b)	NPL (a) - (b)
Balance at 12/31/2014	\$ 176,935,358	\$ 159,399,018	\$ 17,536,340
Changes for the year:			
Service cost	4,539,237	-	4,539,237
Interest	12,302,430	-	12,302,430
Change of benefit terms	-	-	-
Difference between expected and actual experience	(579,992)	-	(579,992)
Changes of assumptions	(595,757)	-	(595,757)
Contributions - employer	-	4,644,735	(4,644,735)
Contributions - employee	-	1,801,285	(1,801,285)
Net investment income	-	235,212	(235,212)
Benefit payments, including refunds of employee contributions	(6,911,946)	(6,911,946)	-
Administrative expense	-	(143,262)	143,262
Other changes	-	(7,076)	7,076
Net changes	8,753,972	(381,052)	9,135,024
Balance at 12/31/2015	<u>\$ 185,689,330</u>	<u>\$ 159,017,966</u>	<u>\$ 26,671,364</u>

Plan fiduciary net position as a percentage of the TPL	85.64%
Covered payroll	\$25,732,638
NPL as a percentage of covered payroll	103.65%

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN – CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
	<u> </u>	<u> </u>	<u> </u>
City’s net pension liability	\$ 53,699,867	\$ 26,671,364	\$ 4,524,737

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 948,645
Changes in actuarial assumptions	-	483,562
Difference between projected and actual investment earnings	9,896,205	-
Contributions subsequent to the measurement date	<u>3,285,014</u>	<u>-</u>
Total	<u>\$ 13,181,219</u>	<u>\$ 1,432,207</u>

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN – CONTINUED

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date in the amount of \$3,285,014 will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year December 31,	Net Deferred Outflows/(Inflows) of Resources
2016	\$ 2,211,982
2017	2,211,982
2018	2,211,980
2019	1,896,698
2020	(68,644)
Total	\$ 8,463,998

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Postemployment Healthcare Plan

Plan Description

The City adopted the City of Euless Post-Employment Benefits Trust (OPEB Trust) by passage of Resolution No. 09-1319 on September 8, 2009 which authorized participation in the PARS Public Agencies Post-Retirement Health Care Plan Trust, including the City of Euless Public Agencies Post-Retirement Health Care Plan (the Plan), as part of the City’s Retirement Program. Article III of the Public Agencies Post-Retirement Health Care Plan Master Plan Document as adopted provides for the determination of eligibility under the plan to each participating Employer to the extent provided in the Employer’s applicable policies.

The City’s policies with regard to post-employment healthcare coverage are governed by the City of Euless Medical and Dental Plan, the City’s group health insurance plan, the benefits of which are established by management.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Postemployment Healthcare Plan – Continued

The City provides post-employment medical, dental, life, and vision benefits under the Plan to eligible retirees and dependents qualifying as one of the eligible classes of dependents as described in the Plan. To be eligible for coverage under the Plan, an employee must retire with the City of Euless and be eligible for retirement through TMRS. TMRS retirement eligibility requirements are described in detail in Note 9. Additionally, written application to enroll himself/herself and all eligible dependents (for which coverage is elected) in the Plan must be made by the employee prior to or on the retirement date.

The Plan provides lifetime benefits or until Medicare eligibility is attained. Regardless of Medicare enrollment status, the Plan will base payment of benefits as though Medicare were responsible for primary payment of benefits inasmuch as allowed by Federal law.

The Plan is a single-employer defined benefit healthcare plan administered by the City Manager, his/her successor, or his/her designee. Separate financial statements for the Plan are not issued, but rather are included in the financial statements of the City which are available on-line at <http://www.eulesstx.gov/finance/cafr.htm>.

The OPEB Trust is an agent multiple-employer trust arrangement established to provide economies of scale and efficiency of administration to public agencies. The OPEB Trust is established as a tax-exempt trust within the meaning of Section 115 of the Internal Revenue Code and is intended to hold the assets used to fund the City's post-employment benefits offered by the City to its employees as specified in the City's policies.

The OPEB Trust is administered by Public Agency Retirement Services pursuant to the Trust Agreement adopted on September 8, 2009 by the City Council with passage of Resolution No. 09-1319. Upon adoption of the Trust Agreement, a separate Agency Account was established under the OPEB Trust for the City, and all assets of the Trust attributable to the City are held in the City's Agency Account. The assets of the Trust are available only to pay post-employment healthcare benefits of eligible employees of the City and their dependents and other associated administrative costs.

Funding Policy

A Participant in the OPEB Trust is required from time-to-time to contribute to its Agency Account an amount determined by such Participant at its sole discretion. Such amount may, but need not, equal such Participant's annual required contribution (ARC) as determined in accordance with GASB 45. However, it is currently the intent of the Plan Administrator to annually fund an amount equal to, or in excess of, the ARC. This intent is subject to change and is subject to annual appropriation.

**CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funding Policy – Continued

Contribution requirements of Plan members and the City are determined by the Plan Administrator and may be amended by same from time to time. Plan members contribute:

	Monthly Contribution			
	Medical Plan A	Medical Plan B	Dental	Vision
Retiree Only	\$ 710.72	\$ 612.40	\$ 27.77	\$ 8.26
Retiree plus Children	1,350.36	1,163.55	52.77	13.50
Retiree plus Spouse	1,634.65	1,408.51	63.88	16.04
Retiree plus Family	2,061.08	1,775.95	80.54	22.68

Retired employees meeting all eligibility requirements as set forth in the Plan that were hired prior to October 1, 2006 and are either:

- a) Retired and enrolled in the Plan on or prior to September 30, 2007; or
- b) Retired and not enrolled in the Plan on or prior to September 30, 2007 and meet guidelines for reinstatement to the Plan; or
- c) Employees who were not retired as September 30, 2007 that retire with at least ten years of service to the City of Euless and have a combined age and years of service equal to at least 70

will qualify for a service discount on their total premium, subject to annual appropriation, as set forth in the table below.

Retired employees meeting all eligibility requirements as set forth in the Plan that were hired after October 1, 2006 and before September 1, 2014 retiring with a minimum of 20 years of service with a combined age and years of service to the City of Euless equal to at least 80 qualify for a service discount on their total premium, subject to annual appropriation, as set forth in the following:

Service	Discounts on Premiums			
	Hired Pre- 10/2006		Hired Post- 10/2006	
	Retiree	Retiree+	Retiree	Retiree+
10 to 14 years	15%	30%	N/A	N/A
15 to 19 years	25%	40%	N/A	N/A
20 to 24 years	35%	50%	35%	50%
25 to 29 years	50%	65%	50%	65%
30+ years	60%	75%	60%	75%

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funding Policy – Continued

Retirees are permitted to participate with active employees in the healthcare plan but retirees must pay all premiums (less applicable discounts) assigned to them. The City will continue to apply the applicable discount to surviving spouse/dependents based upon a deceased employee's years of service. Employees hired after October 1, 2014 will not be eligible for premium discounts regardless of years of service.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

In the October 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.5% investment rate of return (compounded annually net after expenses) and an annual healthcare cost trend rate of 6.2% initially, with annual increases and decreases through 2100 to an ultimate rate of 4.5% and an annual dental cost trend rate of 4.73% initially, declining by decrements to an ultimate rate of 4.15%. The inflation rate of 2.5% is used for the calculation. The unfunded actuarial accrued liability is being amortized over a thirty year open period utilizing a level dollar amortization method.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) for the Plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents the level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Annual OPEB Cost and Net OPEB Obligation – Continued

For the year ended September 30, 2016, the City has estimated the cost of providing these benefits through an actuarial valuation as of October 1, 2014. The following table represents the components of the City’s annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and any changes in the City’s net OPEB obligation.

Annual required contribution	\$ 836,323
Interest on net OPEB obligation	(14,811)
Adjustments to annual required contribution	<u>15,555</u>
Annual OPEB cost (expense)	837,067
Contributions made	<u>(1,424,405)</u>
Change in OPEB obligation	(587,338)
Net OPEB obligation (asset) - beginning of year	<u>(197,485)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (784,823)</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two previous fiscal years are as follows:

Actuarial Valuation Date	Fiscal Year Ended	Discount Rate	Annual OPEB Cost	% of Annual Cost Contributed	Net OPEB Obligation
10/1/2013	9/30/2014	7.5%	\$1,103,043	75.76%	\$ (91,445)
10/1/2014	9/30/2015	7.5%	874,770	112.65%	(197,485)
10/1/2014	9/30/2016	7.5%	837,067	170.17%	(784,823)

Funding Status and Funding Progress

Valuation Dated 10/01,	Fiscal Year Ended 09/30,	10/1 Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Payroll
2013	2014	2,454,718	7.5%	11,822,647	9,367,929	21%	25,470,582	37%
2014	2015	3,043,780	7.5%	10,640,544	7,596,764	29%	25,453,407	30%
2014	2016	3,487,946	7.5%	10,640,544	7,152,598	33%	26,464,297	27%

CITY OF EULESS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS – CONTINUED

Funding Status and Funding Progress – Continued

As of October 1, 2015, the Plan was 67% unfunded. The value of assets was \$3,487,946, resulting in an UAAL of \$7,152,598.

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include, but are not limited to, future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Basic Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of September 30, 2016, the police seized asset special revenue fund had an excess of expenditures over appropriations of \$23,217 and the hotel/motel special revenue fund had an excess of expenditures over appropriations of \$10,640.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EULESS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE MEASUREMENT YEAR ENDED DECEMBER 31, 2015

	2015*	2014*
Total pension liability		
Service cost	\$ 4,539,237	\$ 4,331,759
Interest (on the total pension liability)	12,302,430	11,698,243
Difference in expected and actual experience	(579,992)	(752,184)
Change in assumptions	(595,757)	-
Benefit payments, including refunds of employee contributions	(6,911,946)	(6,588,671)
Net change in total pension liability	8,753,972	8,689,147
Total pension liability, beginning of year	176,935,358	168,246,211
Total pension liability, ending of year	\$ 185,689,330	\$ 176,935,358
 Plan fiduciary net position		
Contributions - employer	\$ 4,644,735	\$ 4,787,533
Contributions - employee	1,801,285	1,789,251
Net investment income	235,212	8,631,343
Benefit payments, including refunds of employee contributions	(6,911,946)	(6,588,671)
Administrative expense	(143,262)	(90,113)
Other	(7,076)	(7,409)
Net change in plan fiduciary net position	(381,052)	8,521,934
Plan fiduciary net position - beginning	159,399,018	150,877,084
Plan fiduciary net position - ending	\$ 159,017,966	\$ 159,399,018
 Net pension liability - ending	\$ 26,671,364	\$ 17,536,340
Plan fiduciary net position as a % of total pension liability	85.64%	90.09%
Covered employee payroll	\$ 25,732,638	\$ 25,560,729
Net pension liability as a % of covered employee payroll	103.65%	68.61%

* The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CITY OF EULESS, TEXAS
SCHEDULE OF FUNDING PROGRESS – OPEB TRUST
SEPTEMBER 30, 2016**

Valuation Dated 10/01,	Fiscal Year Ended 09/30,	10/1 Actuarial Value of Assets	Discount Rate	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL % of Payroll
2013	2014	2,454,718	7.5%	11,822,647	9,367,929	21%	25,470,582	37%
2014	2015	3,043,780	7.5%	10,640,544	7,596,764	29%	25,453,407	30%
2014	2016	3,487,946	7.5%	10,640,544	7,152,598	33%	26,464,297	27%

The Schedule of Funding Progress summarizes the actuarial value of the plan’s assets plus current year contributions and actuarial accrued liability as of October 1, 2014 and the two preceding actuarial valuations for which the trust has been in effect.

The schedule is presented to provide a consistent basis for measuring the plan’s annual progress toward funding its actuarial accrued liability in accordance with its actuarial funding method. The primary measure of funding progress is the plan’s funded ratio (i.e. actuarial value of assets expressed as a percentage of the actuarial accrued liability). An increase in the funded ratio indicates an improvement in the plan’s ability to pay all projected benefits as they come due. The plan is fully funded if the funded ratio is greater than or equal to 100%. At September 30, 2016, the plan’s funded ratio was 33%.

For more information concerning the plan and the actuarial method and assumptions, see Note 10 Other Post Employment Benefits in the Notes to the Financial Statements.

CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax				
Current and delinquent taxes	\$ 11,372,966	\$ 11,372,966	\$ 11,099,458	\$ (273,508)
Penalty and interest	58,000	58,000	65,475	7,475
Total property tax	11,430,966	11,430,966	11,164,933	(266,033)
Gross receipts and mixed beverage tax				
Telephone line access fee	317,950	317,950	303,814	(14,136)
Electric company	1,675,882	1,675,882	1,632,805	(43,077)
Gas company	435,000	435,000	325,998	(109,002)
Cable TV	665,000	665,000	731,681	66,681
City garbage service	211,802	211,802	221,904	10,102
Water and wastewater system	1,117,322	1,117,322	1,086,398	(30,924)
Others	99,949	99,949	119,902	19,953
Total gross receipts and mixed beverage tax	4,522,905	4,522,905	4,422,502	(100,403)
General sales tax	11,802,945	11,802,945	12,596,445	793,500
Fines and fees				
Municipal court fines	3,089,300	3,089,300	2,835,833	(253,467)
Jail income	175,000	175,000	377,905	202,905
Dog licenses and pound fees	3,800	3,800	6,885	3,085
Ambulance fees	976,127	976,127	1,050,064	73,937
Library fees	30,100	30,100	9,291	(20,809)
Zoning fees	20,000	20,000	29,130	9,130
Deferred adjudication fee	155,000	155,000	152,331	(2,669)
Total fines and fees	4,449,327	4,449,327	4,461,439	12,112
Licenses and permits				
Building permits	590,000	590,000	1,279,660	689,660
Miscellaneous permits	229,300	229,300	251,213	21,913
Minimum housing	194,000	194,000	151,558	(42,442)
Total licenses and permits	1,013,300	1,013,300	1,682,431	669,131
Investment income	35,000	35,000	97,775	62,775
Intergovernmental	399,700	399,700	398,528	(1,172)
Other revenues				
Rental income	498,000	498,000	493,465	(4,535)
Swimming pools	210,000	210,000	259,761	49,761
Miscellaneous income	274,650	274,650	262,536	(12,114)
Total other revenues	982,650	982,650	1,015,762	33,112
Total revenues	34,636,793	34,636,793	35,839,815	1,203,022

**CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Culture and recreation	\$ 3,255,008	\$ 3,250,353	\$ 2,969,137	\$ 281,216
Development services	768,423	764,813	654,162	110,651
General and administrative	10,441,981	10,875,743	9,197,972	1,677,771
Highways and streets	1,593,843	1,592,603	1,555,702	36,901
Public safety	22,782,448	22,761,938	22,114,240	647,698
Total expenditures	<u>38,841,703</u>	<u>39,245,450</u>	<u>36,491,213</u>	<u>2,754,237</u>
Excess (deficiency) of revenues over (under) expenditures	(4,204,910)	(4,608,657)	(651,398)	3,957,259
Other financing sources (uses)				
Transfers in	2,718,297	2,718,297	2,771,820	53,523
Transfers out	(918,564)	(918,564)	(926,282)	(7,718)
Total other financing sources (uses), net	<u>1,799,733</u>	<u>1,799,733</u>	<u>1,845,538</u>	<u>45,805</u>
Net change in fund balance	(2,405,177)	(2,808,924)	1,194,140	4,003,064
Fund balance, beginning of year	<u>11,049,330</u>	<u>11,049,330</u>	<u>11,049,330</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,644,153</u>	<u>\$ 8,240,406</u>	<u>\$ 12,243,470</u>	<u>\$ 4,003,064</u>

**CITY OF EULESS, TEXAS
BUDGETARY COMPARISON SCHEDULE
CAR RENTAL SPECIAL REVENUE FUND
SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Car rental tax	\$ 14,093,782	\$ 14,093,782	\$ 14,842,109	\$ 748,327
Investment income	15,000	15,000	49,096	34,096
Total revenues	14,108,782	14,108,782	14,891,205	782,423
Expenditures				
General and administrative	9,395,855	9,474,980	9,901,339	(426,359)
Capital outlay	2,610,400	2,610,400	2,000,000	610,400
Total expenditures	12,006,255	12,085,380	11,901,339	184,041
Excess of revenues over expenditures	2,102,527	2,023,402	2,989,866	966,464
Other financing uses				
Transfers out	(4,744,153)	(5,107,341)	(5,177,301)	(69,960)
Total other financing uses	(4,744,153)	(5,107,341)	(5,177,301)	(69,960)
Net change in fund balance	(2,641,626)	(3,083,939)	(2,187,435)	896,504
Fund balance, beginning of year	4,965,323	4,965,323	4,965,323	-
Fund balance, end of year	<u>\$ 2,323,697</u>	<u>\$ 1,881,384</u>	<u>\$ 2,777,888</u>	<u>\$ 896,504</u>

CITY OF EULESS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGET BASIS OF ACCOUNTING

The City Council adheres to the following procedures in establishing budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and expenses and means of financing them.
2. Public hearings are conducted to obtain taxpayers' comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance and a budgetary report is prepared.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council. The budget presented reflects revisions made during the year. The legal level of control is at the fund level.
5. A budget is legally adopted for the general fund and special revenue funds on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Appropriations and encumbrances lapse at year-end.
6. Formal budgetary integration is not employed for the debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
7. Budgetary data for the capital projects funds has not been presented in the accompanying basic financial statements as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of the capital projects funds is not employed and comparison of actual results of operations to budgetary data for such funds is not presented.
8. Appropriated budgets for the proprietary funds are also adopted but have not been presented since reporting on such budgets is not legally required.

The Budgetary Comparison Schedules – general fund and car rental tax special revenue fund present a comparison of budgetary data to actual results. These funds utilize the same basis of accounting for both budgetary purposes and actual results.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Hotel/Motel Fund – to account for the operations and expenditures for which hotel/motel occupancy taxes are used. Occupancy tax revenues are used primarily for advertising and promotion of the City.

Half-Penny Sales Tax Fund – to account for the sales tax revenues and expenditures of the Euless Development Corporation, a component unit of the City of Euless. The revenues can only be spent on parks, library, debt service, and economic development activities with the City of Euless.

Police Drug Enforcement Fund – to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are used solely for police department expenditures.

Crime Control and Prevention District Fund – to account for the revenues and expenditures of this component unit of the City of Euless. The revenues are collected from sales taxes and expenditures can only be spent for police department operations and capital as approved by the Crime Control and Prevention District Board.

Grant Fund – to account for grant revenues received by the City which must be spent in accordance with the grant provisions.

Police Seized Asset Fund – to account for resources received from asset forfeiture pursuant to court judgment File No. 09-13-640 to be administered in compliance with Chapter 59, Texas Code of Criminal Procedure.

Juvenile Case Fund – to account for a fee added to municipal court citations. This fee is used to support the expenditures associated with juvenile case processing.

Glade Parks Public Improvement District (PID) Fund – to account for the accumulation of resources from an assessment levied upon properties within the district boundaries. The resources are utilized for the repayment of debt issued to fund public improvements within the district. The district assesses property owners only for the portion of the debt payment not covered with resources of the Glade Parks TIRZ #3.

Tax Increment Reinvestment Zone #3 – Glade Parks Fund (TIRZ #3) – to account for the accumulation of a portion of the incremental property taxes from taxing entities participating in the tax increment reinvestment zone. The resources are used for the repayment of debt issued to fund public improvements within the district.

NON-MAJOR GOVERNMENTAL FUNDS – Continued

Midtown Public Improvement District (PID) Fund – to account for the accumulation of resources from an assessment levied upon properties within the district boundaries. The resources are utilized for the repayment of debt issued to fund public improvements within the district.

Cable PEG Fees Fund – to account for a 1% fee collected from cable channel providers for expansion of the city’s public, educational, and governmental access channel.

CAPITAL PROJECTS

Half-Penny Sales Tax CIP Fund – to account for bond proceeds and sales tax receipts to be expended for capital projects funded by the Euless Development Corporation, a component unit of the City of Euless.

Developers' Contribution Fund – to account for funds received for the purpose of making new and future improvements to various development areas within the City.

Police CIP Fund – to account for the construction of a police facility.

General CIP Fund – to account for various general construction projects within the City.

Redevelopment CIP Fund – to account for land acquisition and revitalization projects designed to enhance development and promote redevelopment throughout the community.

Streets CIP Fund – to account for street construction and reconstruction projects and the means of financing such improvements.

Midtown Reserve Fund – to account for resources used to establish the initial debt reserve fund per the Midtown construction, funding, and development agreement.

Car Rental CIP Fund – to account for the building and infrastructure projects that are funded from the short-term motor vehicle rental tax.

**CITY OF EULESS, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue Funds									
	Hotel/ Motel Fund	Half-Penny Sales Tax Fund	Police Drug Enforce- ment Fund	Crime Control and Prevention District Fund	Grant Fund	Police Seized Assets Fund	Juvenile Case Fund	Glade Parks PID Fund	TIRZ#3 Glade Parks Fund	Midtown PID Fund
ASSETS										
Deposits and investments	\$ 413,189	\$ 2,612,478	\$ 499,262	\$ 977,916	\$ 5,652	\$ 432,692	\$ 220,853	\$ 750,000	\$ 101,001	\$ 35,000
Accounts receivable	236,920	-	-	-	19,348	-	4,558	-	24,360	-
Accrued interest receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	914,480	-	454,303	-	-	-	-	-	-
Prepays	-	7,738	-	-	-	-	-	-	-	-
Restricted deposits and investments	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 650,109	\$ 3,534,696	\$ 499,262	\$ 1,432,219	\$ 25,000	\$ 432,692	\$ 225,411	\$ 750,000	\$ 125,361	\$ 35,000
LIABILITIES										
Liabilities										
Accounts payable	\$ 131,151	\$ 200,427	\$ -	\$ 2,488	\$ -	\$ -	\$ 3,743	\$ -	\$ -	\$ -
Accrued salaries and wages	-	84,452	-	88,952	5,545	9,905	3,724	-	-	-
Unearned revenue	55,841	-	-	-	-	-	-	-	-	-
Total liabilities	186,992	284,879	-	91,440	5,545	9,905	7,467	-	-	-
DEFERRED INFLOWS OF RESOURCES										
Unavailable revenue	-	-	-	-	-	-	4,558	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	4,558	-	-	-
FUND BALANCES										
Fund Balances										
Nonspendable	-	7,738	-	-	-	-	-	-	-	-
Restricted, debt service	-	189,527	-	-	-	-	-	750,000	-	-
Restricted, capital projects	-	-	-	-	-	-	-	-	-	-
Restricted, developer agreements	-	-	-	-	-	-	-	-	-	-
Restricted, juvenile case management	-	-	-	-	-	-	213,386	-	-	-
Restricted, cable PEG fees	-	-	-	-	-	-	-	-	-	-
Restricted, historical preservation	1,245	-	-	-	-	-	-	-	-	-
Assigned	461,872	3,052,552	499,262	1,340,779	19,455	422,787	-	-	125,361	35,000
Total fund balances	463,117	3,249,817	499,262	1,340,779	19,455	422,787	213,386	750,000	125,361	35,000
Total liabilities, deferred inflows of resources, and fund balances	\$ 650,109	\$ 3,534,696	\$ 499,262	\$ 1,432,219	\$ 25,000	\$ 432,692	\$ 225,411	\$ 750,000	\$ 125,361	\$ 35,000

Special Revenue Fund									
Capital Projects Funds									
Cable PEG Fees Fund	Half-Penny Sales Tax CIP Fund	Developers' Contribution Fund	Police CIP Fund	General CIP Fund	Redevelopment CIP Fund	Streets CIP Fund	Midtown Reserve Fund	Car Rental CIP Fund	Total Non-major Governmental Funds
\$ 491,346	\$ 971,652	\$ 1,977,686	\$ -	\$ 1,101,546	\$ 207,230	\$ 484,282	\$ -	\$ 1,586,570	\$ 12,868,355
35,000	-	-	-	17,184	-	-	-	-	337,370
-	-	1,625	-	-	-	-	-	3,042	4,667
-	-	-	-	-	-	-	-	-	1,368,783
-	-	-	-	-	-	-	-	-	7,738
-	-	-	-	-	-	-	999,725	-	999,725
<u>\$ 526,346</u>	<u>\$ 971,652</u>	<u>\$ 1,979,311</u>	<u>\$ -</u>	<u>\$ 1,118,730</u>	<u>\$ 207,230</u>	<u>\$ 484,282</u>	<u>\$ 999,725</u>	<u>\$ 1,589,612</u>	<u>\$ 15,586,638</u>
\$ 895	\$ 14,971	\$ 1,348	\$ -	\$ -	\$ -	\$ 190,494	\$ -	\$ 359,813	\$ 905,330
-	-	-	-	-	-	-	-	-	192,578
-	-	-	-	-	-	-	-	-	55,841
895	14,971	1,348	-	-	-	190,494	-	359,813	1,153,749
-	-	-	-	-	-	-	-	-	4,558
-	-	-	-	-	-	-	-	-	4,558
-	-	-	-	-	-	-	-	-	7,738
-	-	-	-	-	-	-	-	-	939,527
-	-	-	-	-	-	-	999,725	-	999,725
-	-	1,977,963	-	-	-	-	-	-	1,977,963
-	-	-	-	-	-	-	-	-	213,386
525,451	-	-	-	-	-	-	-	-	525,451
-	-	-	-	-	-	-	-	-	1,245
-	956,681	-	-	1,118,730	207,230	293,788	-	1,229,799	9,763,296
525,451	956,681	1,977,963	-	1,118,730	207,230	293,788	999,725	1,229,799	14,428,331
<u>\$ 526,346</u>	<u>\$ 971,652</u>	<u>\$ 1,979,311</u>	<u>\$ -</u>	<u>\$ 1,118,730</u>	<u>\$ 207,230</u>	<u>\$ 484,282</u>	<u>\$ 999,725</u>	<u>\$ 1,589,612</u>	<u>\$ 15,586,638</u>

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds									
	Hotel/ Motel Fund	Half-Penny Sales Tax Fund	Police Drug Enforce- ment Fund	Crime Control and Prevention District Fund	Grant Fund	Police Seized Asset Fund	Juvenile Case Fund	Glade Parks PID Fund	TIRZ #3 Glade Parks Fund	Midtown PID Fund
Revenues										
General property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 461,007	\$ -
Gross receipts tax	696,805	-	-	-	-	-	-	-	-	-
General sales tax	-	5,100,060	-	2,514,665	-	-	-	-	153,708	-
Investment income	830	11,102	1,330	2,207	-	1,672	536	-	-	-
DEA revenues	-	-	18,274	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Rents and royalties	-	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	252,336	3,771	102,557	-	-	350,920
Total revenues	697,635	5,111,162	19,604	2,516,872	252,336	5,443	103,093	-	614,715	350,920
Expenditures										
Culture and recreation	-	2,893,450	-	-	88,540	-	-	-	-	-
Development services	-	208,409	-	-	-	-	-	-	-	-
General and administrative	138,133	244,506	-	-	-	-	80,463	-	-	-
Highways and streets	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	2,758	2,175,920	146,128	256,809	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	-	165,000	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	4,376	-	-	-	-	-	-	-	-
Capital outlay	-	33,773	-	24,139	94,323	1,500	-	-	-	-
Total expenditures	138,133	3,549,514	2,758	2,200,059	328,991	258,309	80,463	-	-	-
Excess (deficiency) of revenues over (under) expenditures	559,502	1,561,648	16,846	316,813	(76,655)	(252,866)	22,630	-	614,715	350,920
Other financing sources (uses)										
Issuance of debt	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	85,794	-	-	-	-	-
Transfers out	(380,960)	(1,715,582)	-	-	-	-	-	-	(519,624)	(315,920)
Total other financing sources (uses)	(380,960)	(1,715,582)	-	-	85,794	-	-	-	(519,624)	(315,920)
Net change in fund balances	178,542	(153,934)	16,846	316,813	9,139	(252,866)	22,630	-	95,091	35,000
Fund balance, beginning of year	284,575	3,403,751	482,416	1,023,966	10,316	675,653	190,756	750,000	30,270	-
Fund balance, end of year	\$ 463,117	\$ 3,249,817	\$ 499,262	\$ 1,340,779	\$ 19,455	\$ 422,787	\$ 213,386	\$ 750,000	\$ 125,361	\$ 35,000

Special Revenue Fund	Capital Projects Funds								
Cable PEG Fees Fund	Half-Penny Sales Tax CIP Fund	Developers' Contribution Fund	Police CIP Fund	General CIP Fund	Redevelopment CIP Fund	Streets CIP Fund	Midtown Reserve Fund	Car Rental CIP Fund	Total Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 461,007
146,536	-	-	-	-	-	-	-	-	843,341
-	-	-	-	-	-	-	-	-	7,768,433
1,219	2,843	8,038	-	3,133	641	2,312	-	15,290	51,153
-	-	-	-	-	-	-	-	-	18,274
-	-	-	-	-	-	109,438	-	-	109,438
-	-	-	-	59,915	-	-	-	-	59,915
-	-	116,261	-	-	101,400	-	-	-	927,245
147,755	2,843	124,299	-	63,048	102,041	111,750	-	15,290	10,238,806
-	71,234	696	-	-	-	-	-	-	3,053,920
-	-	-	-	-	-	-	-	-	208,409
18,631	-	-	-	-	279	-	-	2,532	484,544
-	-	-	-	-	-	133,012	-	-	133,012
-	-	2,695	-	-	-	-	-	-	2,584,310
-	-	-	-	-	-	-	-	-	165,000
-	-	-	-	-	-	-	-	-	4,376
10,558	-	-	-	-	78,249	4,173,921	-	2,893,866	7,310,329
29,189	71,234	3,391	-	-	78,528	4,306,933	-	2,896,398	13,943,900
118,566	(68,391)	120,908	-	63,048	23,513	(4,195,183)	-	(2,881,108)	(3,705,094)
-	-	-	-	-	-	3,030,000	999,725	-	4,029,725
-	130,000	-	-	-	-	770,918	-	2,519,775	3,506,487
-	-	-	(454)	-	-	-	-	-	(2,932,540)
-	130,000	-	(454)	-	-	3,800,918	999,725	2,519,775	4,603,672
118,566	61,609	120,908	(454)	63,048	23,513	(394,265)	999,725	(361,333)	898,578
406,885	895,072	1,857,055	454	1,055,682	183,717	688,053	-	1,591,132	13,529,753
<u>\$ 525,451</u>	<u>\$ 956,681</u>	<u>\$ 1,977,963</u>	<u>\$ -</u>	<u>\$ 1,118,730</u>	<u>\$ 207,230</u>	<u>\$ 293,788</u>	<u>\$ 999,725</u>	<u>\$ 1,229,799</u>	<u>\$ 14,428,331</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
HOTEL / MOTEL SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Gross receipts tax	\$ 425,687	\$ 425,687	\$ 696,805	\$ 271,118
Investment income	70	70	830	760
Total revenues	425,757	425,757	697,635	271,878
Expenditures				
General and administrative	51,147	127,493	138,133	(10,640)
Total expenditures	51,147	127,493	138,133	(10,640)
Other financing uses				
Transfers out	(399,574)	(399,574)	(380,960)	18,614
Total other financing uses	(399,574)	(399,574)	(380,960)	18,614
Net change in fund balance	(24,964)	(101,310)	178,542	279,852
Fund balance, beginning of year	284,575	284,575	284,575	-
Fund balance, end of year	<u>\$ 259,611</u>	<u>\$ 183,265</u>	<u>\$ 463,117</u>	<u>\$ 279,852</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
HALF-PENNY SALES TAX SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General sales tax	\$ 4,650,704	\$ 4,650,704	\$ 5,100,060	\$ 449,356
Investment income	1,400	1,400	11,102	9,702
Total revenues	4,652,104	4,652,104	5,111,162	459,058
Expenditures				
Culture and recreation	3,383,954	3,383,954	2,927,223	456,731
Development services	764,561	764,561	208,409	556,152
General and administrative	287,793	309,308	244,506	64,802
Debt service				
Principal	165,000	165,000	165,000	-
Interest and fiscal charges	4,376	4,376	4,376	-
Total expenditures	4,605,684	4,627,199	3,549,514	1,077,685
Excess (deficiency) of revenues over (under) expenditures	46,420	24,905	1,561,648	1,536,743
Other financing uses				
Transfers out	(1,774,805)	(1,774,805)	(1,715,582)	59,223
Total other financing uses	(1,774,805)	(1,774,805)	(1,715,582)	59,223
Net change in fund balance	(1,728,385)	(1,749,900)	(153,934)	1,595,966
Fund balance, beginning of year	3,403,751	3,403,751	3,403,751	-
Fund balance, end of year	<u>\$ 1,675,366</u>	<u>\$ 1,653,851</u>	<u>\$ 3,249,817</u>	<u>\$ 1,595,966</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
POLICE DRUG ENFORCEMENT SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 1,000	\$ 1,000	\$ 1,330	\$ 330
DEA revenues	-	-	18,274	18,274
Total revenues	1,000	1,000	19,604	18,604
Expenditures				
Public safety	201,000	201,000	2,758	198,242
Total expenditures	201,000	201,000	2,758	198,242
Net change in fund balance	(200,000)	(200,000)	16,846	216,846
Fund balance, beginning of year	482,416	482,416	482,416	-
Fund balance, end of year	<u>\$ 282,416</u>	<u>\$ 282,416</u>	<u>\$ 499,262</u>	<u>\$ 216,846</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
CRIME CONTROL AND PREVENTION DISTRICT SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General sales tax	\$ 2,290,845	\$ 2,290,845	\$ 2,514,665	\$ 223,820
Investment income	100	100	2,207	2,107
Total revenues	2,290,945	2,290,945	2,516,872	225,927
Expenditures				
Public safety	2,491,461	2,491,461	2,200,059	291,402
Total expenditures	2,491,461	2,491,461	2,200,059	291,402
Net change in fund balance	(200,516)	(200,516)	316,813	517,329
Fund balance, beginning of year	1,023,966	1,023,966	1,023,966	-
Fund balance, end of year	<u>\$ 823,450</u>	<u>\$ 823,450</u>	<u>\$ 1,340,779</u>	<u>\$ 517,329</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
GRANT SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenues	\$ 70,000	\$ 70,000	\$ 252,336	\$ 182,336
Total revenues	70,000	70,000	252,336	182,336
Expenditures				
Culture and recreation	-	100,077	88,540	11,537
Public safety	145,117	230,112	240,451	(10,339)
Total expenditures	145,117	330,189	328,991	1,198
Other financing sources				
Transfers in	77,169	77,169	85,794	8,625
Total other financing sources	77,169	77,169	85,794	8,625
Net change in fund balance	2,052	(183,020)	9,139	192,159
Fund balance, beginning of year	10,316	10,316	10,316	-
Fund balance, end of year	<u>\$ 12,368</u>	<u>(\$ 172,704)</u>	<u>\$ 19,455</u>	<u>\$ 192,159</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
POLICE SEIZED ASSETS SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ -	\$ -	\$ 1,672	\$ 1,672
Other revenues	-	-	3,771	3,771
Total revenues	-	-	5,443	5,443
Expenditures				
Public safety	235,092	235,092	258,309	(23,217)
Total expenditures	235,092	235,092	258,309	(23,217)
Net change in fund balance	(235,092)	(235,092)	(252,866)	(17,774)
Fund balance, beginning of year	675,653	675,653	675,653	-
Fund balance, end of year	<u>\$ 440,561</u>	<u>\$ 440,561</u>	<u>\$ 422,787</u>	<u>\$ (17,774)</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
JUVENILE CASE SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 30	\$ 30	\$ 536	\$ 506
Other revenues	101,000	101,000	102,557	1,557
 Total revenues	 101,030	 101,030	 103,093	 2,063
Expenditures				
General and administrative	86,010	86,010	80,463	5,547
 Total expenditures	 86,010	 86,010	 80,463	 5,547
 Net change in fund balance	 15,020	 15,020	 22,630	 7,610
 Fund balance, beginning of year	 190,756	 190,756	 190,756	 -
 Fund balance, end of year	 <u>\$ 205,776</u>	 <u>\$ 205,776</u>	 <u>\$ 213,386</u>	 <u>\$ 7,610</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
GLADE PARKS PID SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other financing uses				
Transfers out	\$ (49,635)	\$ (49,635)	\$ -	\$ 49,635
Total other financing uses	(49,635)	(49,635)	-	49,635
Net change in fund balance	(49,635)	(49,635)	-	49,635
Fund balance, beginning of year	750,000	750,000	750,000	-
Fund balance, end of year	<u>\$ 700,365</u>	<u>\$ 700,365</u>	<u>\$ 750,000</u>	<u>\$ 49,635</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
TIRZ #3 GLADE PARKS SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
General property tax	\$ 451,972	\$ 451,972	\$ 461,007	\$ 9,035
General sales tax	109,872	109,872	153,708	43,836
Total revenues	561,844	561,844	614,715	52,871
Other financing uses				
Transfers out	(564,359)	(564,359)	(519,624)	44,735
Total other financing uses	(564,359)	(564,359)	(519,624)	44,735
Net change in fund balance	(2,515)	(2,515)	95,091	97,606
Fund balance, beginning of year	30,270	30,270	30,270	-
Fund balance, end of year	<u>\$ 27,755</u>	<u>\$ 27,755</u>	<u>\$ 125,361</u>	<u>\$ 97,606</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
EULESS MIDTOWN PUBLIC IMPROVEMENT DISTRICT FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenues	\$ -	\$ -	\$ 350,920	\$ 350,920
Total revenues	-	-	350,920	350,920
Other financing uses				
Transfers out	-	350,920	315,920	35,000
Total other financing uses	-	350,920	315,920	35,000
Net change in fund balance	-	(350,920)	35,000	385,920
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ (350,920)</u>	<u>\$ 35,000</u>	<u>\$ 385,920</u>

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL
CABLE PEG FEES SPECIAL REVENUE FUND
YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Gross receipts tax	\$ 120,000	\$ 120,000	\$ 146,536	\$ 26,536
Investment income	-	-	1,219	\$ 1,219
Total revenues	120,000	120,000	147,755	27,755
Expenditures				
General and administrative	60,000	60,000	18,631	41,369
Capital outlay	60,000	60,000	10,558	49,442
Total expenditures	120,000	120,000	29,189	90,811
Excess of revenues over expenditures	-	-	118,566	118,566
Fund balance, beginning of year	<u>406,885</u>	<u>406,885</u>	<u>406,885</u>	<u>-</u>
Fund balance, end of year	<u>\$ 406,885</u>	<u>\$ 406,885</u>	<u>\$ 525,451</u>	<u>\$ 118,566</u>

NON-MAJOR PROPRIETARY FUNDS

Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the government's council is to recover the costs of providing goods or services to the general public on a continuing basis primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

Recreation Classes – to account for the operation of recreational programs and activities which are offered to groups and individuals on a fee basis.

Texas Star Sports Complex – to account for the operation and maintenance of Softball World and The Parks at Texas Star Complexes, supported primarily by user charges.

Arbor Daze Fund – to account for the receipts and disbursements of the annual Arbor Daze Festival, supported primarily by user charges.

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF NET POSITION
NON-MAJOR PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

(1 of 2)

ASSETS	Recreation Classes	Texas Star Sports Complex	Arbor Daze	Totals
Current assets				
Deposits and investments	\$ 302,019	\$ 3,040,948	\$ 16,440	\$ 3,359,407
Accounts receivable and unbilled revenue	-	21,461	-	21,461
Interest receivable	-	2,088	-	2,088
Prepays and deposits	3,700	14,327	-	18,027
Inventory	-	83,852	-	83,852
Total current assets	305,719	3,162,676	16,440	3,484,835
Non-current assets				
Net OPEB asset	555	5,805	-	6,360
Property, plant, and equipment, at cost				
Land	-	584,532	-	584,532
Building	-	488,275	-	488,275
Equipment	141,585	115,030	-	256,615
Improvements	-	8,006,174	-	8,006,174
Construction in progress	-	466,396	-	466,396
Total property, plant, and equipment	141,585	9,660,407	-	9,801,992
Less accumulated depreciation	85,018	4,796,961	-	4,881,979
Net property, plant, and equipment	56,567	4,863,446	-	4,920,013
Total non-current assets	57,122	4,869,251	-	4,926,373
Total assets	362,841	8,031,927	16,440	8,411,208
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	52,719	-	52,719
Total deferred outflows of resources	-	52,719	-	52,719

**CITY OF EULESS, TEXAS
 COMBINING STATEMENT OF NET POSITION
 NON-MAJOR PROPRIETARY FUNDS
 SEPTEMBER 30, 2016**

(2 of 2)

	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
LIABILITIES				
Current liabilities				
Payable from current assets				
Accounts payable	\$ 10,827	\$ 217,410	\$ -	\$ 228,237
Accrued salaries and wages	6,156	13,417	-	19,573
Current portion of compensated absences	-	929	-	929
Total current liabilities	16,983	231,756	-	248,739
Non-current liabilities				
Net pension liability	-	101,352	-	101,352
Compensated absences	-	8,366	-	8,366
Total non-current liabilities	-	109,718	-	109,718
Total liabilities	16,983	341,474	-	358,457
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	5,729	-	5,729
Total deferred inflows of resources	-	5,729	-	5,729
NET POSITION				
Net investment in capital assets	56,567	4,863,446	-	4,920,013
Unrestricted	289,291	2,873,997	16,440	3,179,728
Total net position	<u>\$ 345,858</u>	<u>\$ 7,737,443</u>	<u>\$ 16,440</u>	<u>\$ 8,099,741</u>

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	<u>Recreation Classes</u>	<u>Texas Star Sports Complex</u>	<u>Arbor Daze</u>	<u>Totals</u>
Operating revenues				
Recreation fees	\$ 702,298	\$ -	\$ -	\$ 702,298
Service fees and miscellaneous	-	1,356,190	925	1,357,115
Total operating revenues	702,298	1,356,190	925	2,059,413
Operating expenses				
Recreation classes	690,148	-	-	690,148
Texas Star Sports Complex	-	1,147,305	-	1,147,305
Arbor Daze	-	-	52,312	52,312
Depreciation	11,705	305,002	-	316,707
Amortization	-	(1,279)	-	(1,279)
Total operating expenses	701,853	1,451,028	52,312	2,205,193
Operating income (loss)	445	(94,838)	(51,387)	(145,780)
Nonoperating revenues (expenses)				
Gain on sale of capital asset	2,935	-	-	2,935
Investment income	761	12,320	6	13,087
Interest expense	-	(2,400)	-	(2,400)
Total nonoperating revenues	3,696	9,920	6	13,622
Transfers In	-	1,430,000	51,386	1,481,386
Change in net position	4,141	1,345,082	5	1,349,228
Net position, beginning of year	341,717	6,392,361	16,435	6,750,513
Net position, end of year	<u>\$ 345,858</u>	<u>\$ 7,737,443</u>	<u>\$ 16,440</u>	<u>\$ 8,099,741</u>

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Recreation Classes	Texas Star Sports Complex	Arbor Daze	Totals
OPERATING ACTIVITIES				
Cash received from customers	\$ 704,893	\$ 1,351,942	\$ 925	\$2,057,760
Cash payments to suppliers for goods and services	(432,371)	(691,188)	(52,312)	(1,175,871)
Cash payments to employees for services	(256,619)	(260,112)	-	(516,731)
Net cash provided by (used in) operating activities	15,903	400,642	(51,387)	365,158
NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	-	1,430,000	51,386	1,481,386
Net cash provided by non-capital and related financing activities	-	1,430,000	51,386	1,481,386
CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid on bonds	-	(3,200)	-	(3,200)
Reduction in bonds payable	-	(160,000)	-	(160,000)
Purchase of capital assets	(52,774)	(466,396)	-	(519,170)
Proceeds from sale of capital assets	2,935	-	-	2,935
Net cash used in capital and related financing activities	(49,839)	(629,596)	-	(679,435)
INVESTING ACTIVITIES				
Interest received on investments	761	11,258	6	12,025
Net cash provided by investing activities	761	11,258	6	12,025
Net change in cash and cash equivalents	(33,175)	1,212,304	5	1,179,134
Cash and cash equivalents, beginning of year	335,194	1,828,644	16,435	2,180,273
Cash and cash equivalents, end of year	<u>\$ 302,019</u>	<u>\$ 3,040,948</u>	<u>\$ 16,440</u>	<u>\$ 3,359,407</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 445	\$ (94,838)	\$ (51,387)	\$ (145,780)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	11,705	303,723	-	315,428
Changes in assets and liabilities				
Accounts receivable and unbilled revenue	2,595	(7,517)	-	(4,922)
Prepays and deposits	(200)	3,840	-	3,640
Inventory	-	5,763	-	5,763
Net OPEB asset	-	(2,318)	-	(2,318)
Net pension liability	-	34,714	-	34,714
Deferred outflows	-	(33,531)	-	(33,531)
Deferred inflows	-	3,269	-	3,269
Accounts payable	(350)	188,417	-	188,067
Accrued salaries and wages	1,708	424	-	2,132
Compensated absences	-	(1,304)	-	(1,304)
Net cash provided by (used in) operating activities	<u>\$ 15,903</u>	<u>\$ 400,642</u>	<u>\$ (51,387)</u>	<u>\$ 365,158</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City and to other government units on a cost reimbursement basis.

Equipment Replacement Fund – to account for the accumulation of funds to be used for replacement of existing equipment. Funding is provided annually by the user departments.

Insurance Fund – to account for the revenues and expenses resulting from providing health insurance to the City's employees.

Risk Management/Workers' Compensation (Risk/WC) Fund – to account for the revenue and expenses applicable to providing workers' compensation coverage for all City employees, as well as, general liability and property coverage.

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016**

	Equipment Replacement Fund	Insurance Fund	Risk/WC Fund	Total
ASSETS				
Deposits and investments	\$ 2,764,686	\$ 3,227,830	\$ 2,280,375	\$ 8,272,891
Accounts receivable	-	401,113	-	401,113
Prepaid expenses	467,449	2,200	-	469,649
Accrued interest receivable	885	1,567	972	3,424
Total current assets	3,233,020	3,632,710	2,281,347	9,147,077
Property, plant, and equipment, at cost				
Equipment	11,260,555	-	70,214	11,330,769
Less accumulated depreciation	7,875,686	-	26,439	7,902,125
Net property, plant, and equipment	3,384,869	-	43,775	3,428,644
Total assets	6,617,889	3,632,710	2,325,122	12,575,721
LIABILITIES				
Accounts payable	-	6,400	283,145	289,545
Accrued salary and wages	-	10,260	2,429	12,689
Accrued insurance claims	-	849,000	2,843	851,843
Total liabilities	-	865,660	288,417	1,154,077
NET POSITION				
Net investment in capital assets	3,384,869	-	43,775	3,428,644
Unrestricted	3,233,020	2,767,050	1,992,930	7,993,000
Total net position	<u>\$ 6,617,889</u>	<u>\$ 2,767,050</u>	<u>\$ 2,036,705</u>	<u>\$ 11,421,644</u>

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Equipment Replacement Fund	Insurance Fund	Risk/WC Fund	Total
Operating revenues				
Insurance premiums	\$ -	\$ 5,330,761	\$ 419,436	\$ 5,750,197
Service fees and miscellaneous	1,209,320	526,229	61,540	1,797,089
Total operating revenues	1,209,320	5,856,990	480,976	7,547,286
Operating expenses				
General and administrative	95,180	1,558,840	73,303	1,727,323
Insurance costs	-	5,218,563	251,169	5,469,732
Depreciation	956,887	-	6,397	963,284
Total operating expenses	1,052,067	6,777,403	330,869	8,160,339
Operating income (loss)	157,253	(920,413)	150,107	(613,053)
Nonoperating revenues				
Gain on sale of capital assets	33,151	-	-	33,151
Investment income	10,854	15,334	7,649	33,837
Total nonoperating revenues	44,005	15,334	7,649	66,988
Income (loss) before transfers	201,258	(905,079)	157,756	(546,065)
Transfers				
Transfers in	336,252	350,000	450,000	1,136,252
Change in net position	537,510	(555,079)	607,756	590,187
Net position, beginning of year	6,080,379	3,322,129	1,428,949	10,831,457
Net position, end of year	<u>\$ 6,617,889</u>	<u>\$ 2,767,050</u>	<u>\$ 2,036,705</u>	<u>\$ 11,421,644</u>

CITY OF EULESS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Equipment Replacement Fund	Insurance Fund	Risk/WC Fund	Total
OPERATING ACTIVITIES				
Cash received from customers	\$ 1,209,320	\$ 5,567,592	\$ 480,976	\$ 7,257,888
Cash payments to suppliers for goods and services	(562,629)	(6,361,998)	(682,083)	(7,606,710)
Cash payments to employees for services	-	(67,815)	(51,897)	(119,712)
Net cash provided by (used in) operating activities	646,691	(862,221)	(253,004)	(468,534)
NONCAPITAL FINANCING ACTIVITIES				
Transfers in	336,252	350,000	450,000	1,136,252
Net cash provided by noncapital financing activities	336,252	350,000	450,000	1,136,252
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(1,226,768)	-	-	(1,226,768)
Proceeds from sale of capital assets	41,555	-	-	41,555
Net cash used in capital and related financing activities	(1,185,213)	-	-	(1,185,213)
INVESTING ACTIVITIES				
Interest received on investments	10,854	16,832	7,511	35,197
Net cash provided by investing activities	10,854	16,832	7,511	35,197
Net increase (decrease) in cash and cash equivalents	(191,416)	(495,389)	204,507	(482,298)
Cash and cash equivalents, beginning of year	2,956,102	3,723,219	2,075,868	8,755,189
Cash and cash equivalents, end of year	\$ 2,764,686	\$ 3,227,830	\$ 2,280,375	\$ 8,272,891
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 157,253	\$ (920,413)	\$ 150,107	\$ (613,053)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation expense	956,887	-	6,397	963,284
Change in assets and liabilities				
Receivables	-	(289,398)	-	(289,398)
Prepays	(467,449)	(2,200)	-	(469,649)
Accounts payable	-	(1,970)	(81,978)	(83,948)
Accrued salaries and wages	-	10,260	(1,628)	8,632
Accrued insurance claims	-	341,500	(325,902)	15,598
Net cash provided by (used in) operating activities	\$ 646,691	\$ (862,221)	\$ (253,004)	\$ (468,534)

**CITY OF EULESS, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ESCROW AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2016**

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</u>
Stars Center Escrow Fund				
Assets				
Investments at fair value	\$ 1,420,809	\$ 4,097	\$ (3,019)	\$ 1,421,887
Total assets	<u>\$ 1,420,809</u>	<u>\$ 4,097</u>	<u>\$ (3,019)</u>	<u>\$ 1,421,887</u>
Liabilities				
Due to other entities	\$ 1,420,547	\$ -	\$ -	\$ 1,420,547
Refunds payable	262	1,340	(262)	1,340
Total liabilities	<u>\$ 1,420,809</u>	<u>\$ 1,340</u>	<u>\$ (262)</u>	<u>\$ 1,421,887</u>

STATISTICAL SECTION
(Unaudited)

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STATISTICAL SECTION

(Unaudited)

The statistical section of the City of Euless' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Tables
Financial Trends	1-4
The financial trend schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	5-8
The revenue capacity schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	9-13
The debt capacity schedules present information to help the reader assess the affordability of the City's current level of outstanding debt (including that of its blended component units) and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	14-15
The demographic and economic schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities occur.	
Operating Information	16-18
The operating information schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs.	

CITY OF EULESS, TEXAS
NET POSITION BY COMPONENT – LAST TEN FISCAL YEARS
(Accrual Basis of Accounting – Unaudited)

Table 1

	Fiscal Year									
	2007	2008	2009	2010	2011*	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 58,251,542	\$ 60,799,897	\$ 66,241,593	\$ 73,815,504	\$ 71,051,094	\$ 77,828,950	\$ 88,228,282	\$ 94,162,906	\$ 99,539,958	\$ 108,135,655
Restricted	1,725,998	1,813,871	1,845,987	1,375,950	1,818,957	4,426,819	4,138,774	4,999,085	5,666,450	17,508,943
Unrestricted	27,104,410	31,041,434	29,885,070	24,933,443	31,448,528	27,192,202	24,910,579	23,921,367	17,302,574	3,610,521
Total governmental activities net position	\$ 87,081,950	\$ 93,655,202	\$ 97,972,650	\$ 100,124,897	\$ 104,318,579	\$ 109,447,971	\$ 117,277,635	\$ 123,083,358	\$ 122,508,982	\$ 129,255,119
Business-type activities										
Net investment in capital assets	\$ 50,186,697	\$ 52,155,251	\$ 53,569,070	\$ 53,318,214	\$ 53,132,882	\$ 52,202,849	\$ 52,334,570	\$ 55,160,900	\$ 55,396,268	\$ 59,184,256
Restricted for debt service	-	-	3,963,919	438,340	438,948	309,595	314,171	317,758	733,562	733,164
Restricted for capital projects	-	-	-	-	-	-	-	232,300	1,183,350	4,265,268
Restricted for impact fees and debt service	-	-	-	2,999,156	2,649,336	2,401,217	2,740,656	1,876,393	1,966,315	1,980,150
Unrestricted	16,421,971	16,900,637	12,980,130	13,987,730	16,947,928	17,703,257	18,150,441	15,047,592	12,554,695	11,122,601
Total business-type activities net position	\$ 66,608,668	\$ 69,055,888	\$ 70,513,119	\$ 70,743,440	\$ 73,169,094	\$ 72,616,918	\$ 73,539,838	\$ 72,634,943	\$ 71,834,190	\$ 77,285,439
Primary government										
Net investment in capital assets	\$ 108,438,239	\$ 112,955,148	\$ 119,810,663	\$ 127,133,718	\$ 124,183,976	\$ 130,031,799	\$ 140,562,852	\$ 149,323,806	\$ 154,936,226	\$ 167,319,911
Restricted	1,725,998	1,813,871	5,809,906	4,813,446	4,907,241	7,137,631	7,193,601	7,425,536	9,549,677	24,487,525
Unrestricted	43,526,381	47,942,071	42,865,200	38,921,173	48,396,456	44,895,459	43,061,020	38,968,959	29,857,269	14,733,122
Total primary government net position	\$ 153,690,618	\$ 162,711,090	\$ 168,485,769	\$ 170,868,337	\$ 177,487,673	\$ 182,064,889	\$ 190,817,473	\$ 195,718,301	\$ 194,343,172	\$ 206,540,558

Source: Comprehensive Annual Financial Reports

* Recalculated

CITY OF EULESS, TEXAS
CHANGES IN NET POSITION – LAST TEN FISCAL YEARS
(Accrual Basis of Accounting – Unaudited)

Table 2

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Culture and recreation	\$ 5,002,569	\$ 4,862,749	\$ 4,892,936	\$ 5,004,580	\$ 5,091,589	\$ 5,680,772	\$ 6,025,540	\$ 6,424,683	\$ 6,468,332	\$ 6,998,904
Development services	1,487,102	1,420,477	1,707,421	1,692,845	1,707,148	972,770	1,155,089	1,367,005	877,713	918,214
General and administrative	16,495,449	17,733,714	17,267,094	14,571,600	15,698,832	15,910,313	17,145,752	18,017,535	19,949,733	20,722,236
Highways and streets	2,206,697	2,534,856	2,057,123	2,662,949	2,923,241	2,968,770	3,334,188	3,578,341	3,374,422	3,708,184
Public safety	17,047,334	18,708,849	19,379,290	21,416,966	20,754,733	22,316,429	23,324,328	24,278,144	23,807,143	26,673,966
Interest on long-term debt	2,664,658	3,151,039	2,377,564	1,885,177	1,618,420	1,327,482	1,227,084	1,126,017	1,136,786	1,807,001
Total governmental activities expenses	44,903,809	48,411,684	47,681,428	47,234,117	47,793,963	49,176,536	52,211,981	54,791,725	55,614,129	60,828,505
Business-type activities:										
Water and wastewater	15,418,299	16,462,599	15,623,464	17,035,520	17,827,272	17,813,199	18,554,761	20,298,024	19,970,346	21,009,701
Drainage utility	1,059,272	932,771	947,869	1,107,206	1,177,938	1,283,617	1,245,838	1,373,036	1,319,999	1,414,483
Golf	4,250,866	4,421,256	4,690,701	4,460,627	4,483,252	4,599,099	4,750,359	4,152,015	4,155,834	4,409,773
Other recreation enterprises	2,109,291	2,155,131	2,016,273	1,866,786	1,982,613	2,115,730	2,312,949	2,288,337	2,009,582	2,211,065
Total business-type activities expenses	22,837,728	23,971,757	23,278,307	24,470,139	25,471,075	25,811,645	26,863,907	28,111,412	27,455,761	29,045,022
Total primary government expenses	67,741,537	72,383,441	70,959,735	71,704,256	73,265,038	74,988,181	79,075,888	82,903,137	83,069,890	89,873,527
Program Revenues										
Governmental activities:										
Fees, fines, and charges for services										
Culture and recreation	83,084	65,349	67,283	66,368	69,950	65,912	297,361	304,283	317,024	291,349
Development services	833,822	688,348	783,955	751,323	779,939	1,263,477	1,186,347	1,321,040	1,409,703	1,717,416
General and administrative	1,252,030	1,391,437	4,092,387	1,548,497	1,707,890	1,760,023	1,383,779	1,347,600	1,342,091	1,285,797
Highways and streets	(8,026)	722,334	11,008	-	-	54,622	112,736	218,012	93,258	350,920
Public safety	4,423,564	5,439,171	4,030,566	4,345,101	3,271,115	3,097,141	3,355,604	3,567,917	3,452,086	3,383,743
Operating grants and contributions	411,857	486,862	487,059	511,093	469,404	481,655	2,978,933	633,080	597,437	578,007
Capital grants and contributions	2,199,106	1,885,266	268,130	602,372	1,015,402	689,642	1,213,341	1,552,118	3,228,945	3,375,733
Total governmental activities program revenues	9,195,437	10,678,767	9,740,388	7,824,754	7,313,700	7,412,472	10,528,101	8,944,050	10,440,544	10,982,965
Business-type activities:										
Charges for services										
Water and wastewater	13,730,467	15,849,209	16,381,801	17,321,670	19,978,802	18,437,963	19,183,198	19,353,144	20,593,262	23,759,236
Drainage utility	701,476	661,725	689,889	691,800	694,751	705,474	708,984	712,971	716,595	725,152
Golf	3,825,486	3,904,008	4,069,151	5,279,259	4,746,242	4,335,149	4,520,224	3,622,952	4,168,578	4,187,728
Other recreation enterprises	1,636,883	1,819,459	1,703,196	1,937,416	2,684,905	2,041,878	2,138,600	2,241,920	1,848,434	2,059,413
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,012,919	2,183,600	1,705,746	26,400	772,714	368,882	1,847,097	2,037,263	1,746,638	2,943,188
Total business-type activities program revenues	20,907,231	24,418,001	24,549,783	25,256,545	28,877,414	25,889,346	28,398,103	27,968,250	29,073,507	33,674,717
Total primary government program revenues	30,102,668	35,096,768	34,290,171	33,081,299	36,191,114	33,301,818	38,926,204	36,912,300	39,514,051	44,657,682
	(Continued)									

CITY OF EULESS, TEXAS
CHANGES IN NET POSITION – LAST TEN FISCAL YEARS
(Accrual Basis of Accounting – Unaudited) – Continued

Table 2

Net (Expense) Revenue										
Governmental activities	\$ (35,708,372)	\$ (37,732,917)	\$ (37,941,040)	\$ (39,409,363)	\$ (40,480,263)	\$ (41,764,064)	\$ (41,683,880)	\$ (45,847,675)	\$ (45,173,585)	\$ (49,845,540)
Business-type activities	(1,930,497)	446,244	1,271,476	786,406	3,406,339	77,701	1,534,196	(143,162)	1,617,746	4,629,695
Total primary government net expense	<u>(37,638,869)</u>	<u>(37,286,673)</u>	<u>(36,669,564)</u>	<u>(38,622,957)</u>	<u>(37,073,924)</u>	<u>(41,686,363)</u>	<u>(40,149,684)</u>	<u>(45,990,837)</u>	<u>(43,555,839)</u>	<u>(45,215,845)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes, levied for general purposes	12,343,359	12,231,294	12,685,268	12,306,387	11,855,993	12,451,543	12,744,753	13,488,816	14,358,074	14,752,044
Sales taxes	13,990,652	14,319,938	12,602,345	12,337,598	13,252,805	14,957,757	16,142,357	17,525,123	18,359,717	20,364,878
Car rental taxes	12,955,882	12,832,458	11,632,215	11,480,736	12,457,910	12,933,884	13,592,255	14,082,518	14,112,552	14,842,109
Mixed beverage taxes	87,400	84,653	76,433	71,653	66,383	54,138	60,823	69,160	84,533	101,503
Hotel/motel occupancy taxes	240,457	234,780	185,417	237,429	272,809	292,931	329,368	343,312	391,991	696,805
Gross receipts taxes	3,619,955	3,816,501	4,074,355	3,967,036	4,174,627	4,276,136	4,209,564	4,458,682	4,556,355	4,467,535
Investment income	2,031,580	1,727,542	863,225	292,761	168,929	132,607	106,521	70,374	127,367	271,786
Rents and royalties	-	-	-	-	-	397,527	1,481,305	1,390,283	1,166,832	1,105,829
Gain/(loss) on disposal of assets	74,163	71,143	37,909	116,978	100,110	68,329	117,763	84,664	-	-
Miscellaneous	-	-	11,018	103,569	1,419,512	637,975	35,884	48,773	35,128	692,939
Transfers	617,418	(1,012,140)	90,303	647,463	904,867	690,629	692,951	531,974	722,702	(703,751)
Total governmental activities	<u>45,960,866</u>	<u>44,306,169</u>	<u>42,258,488</u>	<u>41,561,610</u>	<u>44,673,945</u>	<u>46,893,456</u>	<u>49,513,544</u>	<u>52,093,679</u>	<u>53,915,251</u>	<u>56,591,677</u>
Business-type activities:										
Investment income	1,023,865	726,385	254,071	87,799	66,161	60,752	40,045	34,063	40,282	104,618
Contributions from property owners	253,786	252,045	-	-	-	-	-	-	-	-
Gain on disposal of assets	277,004	-	-	3,579	(141,979)	-	41,630	-	4,199	13,185
Miscellaneous	224,001	10,406	21,987	-	-	-	-	-	-	-
Transfers	(617,418)	1,012,140	(90,303)	(647,463)	(904,867)	(690,629)	(692,951)	(531,974)	(722,702)	703,751
Total business-type activities	<u>1,161,238</u>	<u>2,000,976</u>	<u>185,755</u>	<u>(556,085)</u>	<u>(980,685)</u>	<u>(629,877)</u>	<u>(611,276)</u>	<u>(497,911)</u>	<u>(678,221)</u>	<u>821,554</u>
Total primary government	<u>47,122,104</u>	<u>46,307,145</u>	<u>42,444,243</u>	<u>41,005,525</u>	<u>43,693,260</u>	<u>46,263,579</u>	<u>48,902,268</u>	<u>51,595,768</u>	<u>53,237,030</u>	<u>57,413,231</u>
Change in Net Position										
Governmental activities	10,252,494	6,573,252	4,317,448	2,152,247	4,193,682	5,129,392	7,829,664	6,246,004	8,741,666	6,746,137
Business-type activities	(769,259)	2,447,220	1,457,231	230,321	2,425,654	(552,176)	922,920	(641,073)	939,525	5,451,249
Total primary government	<u>\$ 9,483,235</u>	<u>\$ 9,020,472</u>	<u>\$ 5,774,679</u>	<u>\$ 2,382,568</u>	<u>\$ 6,619,336</u>	<u>\$ 4,577,216</u>	<u>\$ 8,752,584</u>	<u>\$ 5,604,931</u>	<u>\$ 9,681,191</u>	<u>\$ 12,197,386</u>
	(concluded)									

Source: Comprehensive Annual Financial Reports

CITY OF EULESS, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS – LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting – Unaudited)

Table 3

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved for other	\$ 392,950	\$ 362,018	\$ 354,882	\$ 492,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	19,344	28,796	49,262	48,072	47,834	35,250
Restricted	-	-	-	-	311,076	258,765	124,312	120,093	109,618	121,041
Assigned	-	-	-	-	103,423	111,096	121,542	121,334	116,336	113,655
Unreserved/Unassigned	10,594,492	8,355,946	7,288,976	7,121,683	7,296,719	8,913,078	9,595,558	10,560,958	10,775,542	11,973,524
Total general fund	\$ 10,987,442	\$ 8,717,964	\$ 7,643,858	\$ 7,614,459	\$ 7,730,562	\$ 9,311,735	\$ 9,890,674	\$ 10,850,457	\$ 11,049,330	\$ 12,243,470
All Other Governmental Funds										
Reserved for:										
Debt service	\$ 1,893,893	\$ 1,967,502	\$ 1,987,783	\$ 1,622,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Development Agreements	1,598,658	1,671,038	1,553,876	1,454,496	-	-	-	-	-	-
Other	1,245	1,245	1,245	7,677	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	11,330,717	5,741,072	6,020,996	7,780,378	-	-	-	-	-	-
Capital funds	4,627,428	10,940,619	10,918,516	5,792,872	-	-	-	-	-	-
Nonspendable	-	-	-	-	5,665	5,803	9,464	34,704	15,399	7,738
Restricted for:										
Debt service	-	-	-	-	1,818,957	1,867,971	1,776,644	2,377,710	2,477,981	1,995,548
Capital projects	-	-	-	-	2,168,956	606,505	365,641	398,756	594,211	12,715,424
Other	-	-	-	-	87,972	1,694,821	1,872,178	2,089,735	2,455,941	2,718,045
Assigned	-	-	-	-	14,855,820	15,802,863	13,504,412	12,692,185	13,765,385	12,541,184
Total all other governmental funds	\$ 19,451,941	\$ 20,321,476	\$ 20,482,416	\$ 16,658,007	\$ 18,937,370	\$ 19,977,963	\$ 17,528,339	\$ 17,593,090	\$ 19,308,917	\$ 29,977,939

Note: The City of Euless first applied GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011. Reclassification of fund balances for prior years was not required.

Source: Comprehensive Annual Financial Reports

CITY OF EULESS, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting – Unaudited)

Table 4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
General property tax	\$ 12,482,090	\$ 12,200,974	\$ 12,735,324	\$ 12,277,457	\$ 11,786,579	\$ 12,382,757	\$ 12,893,583	\$ 13,468,394	\$ 14,351,598	\$ 14,771,632
Gross receipts tax	3,947,812	4,135,934	4,336,205	4,276,110	4,513,819	4,623,205	4,599,755	4,871,154	5,032,879	5,265,843
General sales tax	13,990,652	14,319,938	12,602,345	12,337,598	13,252,805	14,957,757	16,142,357	17,525,123	18,359,717	20,364,878
Car rental tax	12,955,882	12,832,458	11,632,215	11,480,736	12,457,910	12,933,884	13,592,255	14,082,518	14,112,552	14,842,109
Fines and fees	4,348,839	4,297,304	4,086,594	4,336,063	4,033,868	4,278,738	4,627,199	4,646,390	4,289,681	4,461,439
Licenses and permits	804,404	752,421	783,955	719,918	744,978	1,233,465	1,152,875	1,286,753	1,379,332	1,682,431
Investment income	1,784,492	1,512,898	742,444	253,302	143,564	107,195	92,118	57,880	105,443	237,949
DEA revenues	5,360	26,580	14,883	15,350	6,589	12,488	3,571	15,316	39,292	18,274
Intergovernmental	334,979	353,567	379,503	376,512	377,660	1,012,673	2,839,545	461,484	906,695	507,966
Rents and royalties	-	-	-	1,620,210	1,233,686	1,111,873	1,024,021	1,390,283	637,196	612,365
Other revenues	1,513,511	2,924,573	4,300,564	978,179	1,194,966	1,206,611	1,383,172	1,210,086	1,795,395	1,943,007
Total Revenues	52,168,021	53,356,647	51,614,032	48,671,435	49,746,424	53,860,646	58,350,451	59,015,381	61,009,780	64,707,893
Expenditures:										
Culture and recreation	4,500,202	4,461,329	4,350,573	4,120,435	4,335,786	4,676,100	5,171,477	5,558,463	5,704,520	6,023,057
Development services	1,461,222	1,232,277	1,355,105	1,251,706	1,340,898	688,296	806,275	1,017,903	882,212	862,571
General and administrative	16,377,711	17,660,608	16,230,408	14,796,474	15,610,772	15,539,673	17,207,934	17,711,441	18,357,428	18,975,116
Highways and streets	693,711	943,171	861,885	610,996	713,742	861,748	1,144,223	1,351,404	1,606,372	1,688,714
Public safety	16,958,988	17,930,526	18,560,852	19,011,663	19,492,862	21,074,399	22,192,488	23,121,457	23,521,280	24,698,550
Debt Service:										
Principal	3,030,000	3,010,000	2,990,000	3,110,000	3,445,000	8,210,000	3,975,000	5,567,404	4,284,197	3,530,000
Interest and fiscal charges	2,577,106	2,437,894	2,312,734	2,189,070	1,798,615	1,361,259	1,241,776	1,148,069	1,243,589	1,743,450
Issuance costs	5,946	-	-	95,000	178,229	184,966	26,064	-	-	-
Capital outlay	3,777,225	5,843,641	5,730,944	6,865,802	4,805,147	3,727,193	10,390,582	2,672,010	9,086,345	14,871,624
Total expenditures	49,382,111	53,519,446	52,392,501	52,051,146	51,721,051	56,323,634	62,155,819	58,148,151	64,685,943	72,393,082
Excess (deficiency) of revenues over (under) expenditures	2,785,910	(162,799)	(778,469)	(3,379,711)	(1,974,627)	(2,462,988)	(3,805,368)	867,230	(3,676,163)	(7,685,189)
Other Financing Sources (Uses):										
Capital lease	-	-	-	-	494,322	-	1,446,603	-	-	-
Issuance of debt	-	-	-	8,110,000	9,610,000	9,740,000	1,160,000	-	11,400,000	20,760,000
Payment of escrow for refunding	-	-	-	(8,443,763)	(6,804,790)	(5,381,310)	(1,190,252)	-	(6,074,450)	-
Bond premium	-	-	-	-	390,694	260,435	789,046	-	789,428	403,354
Bond discount	-	-	-	(94,828)	-	-	-	-	-	-
Transfers in	2,920,599	12,313,757	4,461,419	3,371,742	5,696,323	8,134,018	6,278,531	4,366,649	5,897,789	7,468,038
Transfers out	(2,818,181)	(13,550,897)	(4,596,116)	(3,417,248)	(5,016,456)	(7,668,389)	(5,839,245)	(4,209,345)	(6,421,904)	(9,083,041)
Total other financing sources	102,418	(1,237,140)	(134,697)	(474,097)	4,370,093	5,084,754	1,934,683	157,304	5,590,863	19,548,351
Net change in fund balances	\$ 2,888,328	\$ (1,399,939)	\$ (913,166)	\$ (3,853,808)	\$ 2,395,466	\$ 2,621,766	\$ (1,870,685)	\$ 1,024,534	\$ 1,914,700	\$ 11,863,162
Debt service as a percentage of noncapital expenditures	12.3%	11.4%	11.4%	11.9%	11.6%	18.5%	10.1%	12.1%	9.9%	9.2%

Source: Comprehensive Annual Financial Reports

CITY OF EULESS, TEXAS
ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY – LAST TEN FISCAL YEARS
(Unaudited)

Table 5

Fiscal Year	Estimated Value		Total Value	Less: Tax-Exempt Property	Total Taxable Value	Total Direct Tax Rate
	Real Property	Personal Property				
2007	2,324,055,440	424,995,712	2,749,051,152	308,569,035	2,440,482,117	0.489500
2008	2,438,826,320	464,735,670	2,903,561,990	320,650,590	2,582,911,400	0.470000
2009	2,477,673,867	508,213,527	2,985,887,394	325,886,654	2,660,000,740	0.470000
2010	2,470,282,654	449,954,489	2,920,237,143	330,392,987	2,589,844,156	0.470000
2011 ⁽¹⁾	2,473,997,250	390,731,885	2,864,729,135	341,730,427	2,522,998,708	0.470000
2012	2,610,172,289	389,778,962	2,999,951,251	348,227,246	2,651,724,005	0.470000
2013	2,661,959,213	445,909,463	3,107,868,676	351,726,906	2,756,141,770	0.470000
2014	2,759,268,619	461,065,240	3,220,333,859	356,283,956	2,864,049,903	0.470000
2015 ⁽²⁾	2,920,206,326	509,189,960	3,429,396,286	369,393,032	3,060,003,254	0.467500
2016	3,352,029,682	513,118,652	3,865,148,334	410,557,810	3,454,590,524	0.467500

Source: Tarrant Appraisal District

⁽¹⁾ Amounts prior to 2011 are shown at market value and amounts from 2011 forward are shown at appraised value.

⁽²⁾ Amount restated to fiscal year end values.

CITY OF EULESS, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of Assessed Value) – LAST TEN FISCAL YEARS
(Unaudited)

Table 6

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating / General Rate	General Obligation Debt Service	Total Direct Rate	Hurst-Eules-Bedford ISD	Grapevine-Colleyville ISD	Tarrant County	Tarrant County Hospital District	Tarrant County Community College
2007	0.343227	0.146273	0.489500	1.5975	1.5743	0.2715	0.2354	0.1394
2008	0.340341	0.129659	0.470000	1.3037	1.2900	0.2665	0.2304	0.1394
2009	0.351937	0.118063	0.470000	1.2950	1.2900	0.2640	0.2279	0.1380
2010	0.360791	0.109209	0.470000	1.2955	1.2900	0.2640	0.2280	0.1377
2011	0.343905	0.126095	0.470000	1.2882	1.2900	0.2640	0.2279	0.1376
2012	0.345388	0.124612	0.470000	1.4140	1.3100	0.2640	0.2280	0.1490
2013	0.355130	0.114870	0.470000	1.4075	1.3201	0.2640	0.2279	0.1490
2014	0.360619	0.109381	0.470000	1.3875	1.3201	0.2640	0.2279	0.1495
2015	0.364505	0.102995	0.467500	1.3750	1.3201	0.2640	0.2279	0.1495
2016	0.366571	0.100929	0.467500	1.3500	1.3201	0.2640	0.2279	0.1495

Sources: City of Euless Budget Office, Tarrant Appraisal District

**CITY OF EULESS, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago
(Unaudited)**

Table 7

Fiscal Year 2016			Fiscal Year 2007		
<u>Taxpayer</u>	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (1)	<u>Taxpayer</u>	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value (2)
Ean Holdings, LLC	\$ 80,436,972	2.33 %	Avis Rent a Car System, LLC	\$ 72,277,544	2.96 %
CH Realty VI/MF Colleyville 2801 LP	70,000,000	2.03	Hertz Corp	62,247,645	2.55
Westdale Hills 2013 LP	56,777,649	1.64	Vanguard Car Rental USA, Inc.	61,184,876	2.51
UDR The Mandolin, LLC	55,219,730	1.60	IRA Stoneleigh FEEOCO LLC	39,469,294	1.62
LSREF3 Bravo (Dallas) LLC	52,560,000	1.52	Colonial Realty LP	37,400,000	1.53
Stoneleigh at Bear Creek Apts.	49,747,562	1.44	TXU Electric Delivery Co.	37,026,203	1.52
AT&T Mobility, LLC	45,106,267	1.31	AT&T Mobility	34,397,589	1.41
AP WP Vineyard Reit, LLC	45,070,127	1.30	Somerset Village Partners LP	30,299,136	1.24
AP WP Seramont Reit, LLC	44,435,528	1.29	Seramont II LP	29,611,000	1.21
CMF 15 Portfolio LLC	42,295,050	1.22	Western Rim Investors 1994-3	25,302,710	1.04
Total	\$ 541,648,885	15.68 %	Total	\$ 429,215,997	17.59 %

Source: Tarrant County Tax Office

Note:

- (1) Total Taxable Value including real and personal property for tax year 2015 (fiscal year 2016) is \$3,454,590,524.
- (2) Total Taxable Value including real and personal property for tax year 2006 (fiscal year 2007) is \$2,440,482,117.

CITY OF EULESS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS – LAST TEN FISCAL YEARS
(Unaudited)

Table 8

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collection		Delinquent Taxes	
				Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
2007	11,908,489	(9,276)	11,899,213	11,801,183	99.18%	86,188	11,887,371	99.90%	11,842	0.10%
2008	12,083,956	(39,312)	12,044,644	11,986,396	99.52%	45,768	12,032,164	99.90%	12,480	0.10%
2009	12,747,343	(125,503)	12,621,840	12,556,281	99.48%	22,101	12,578,382	99.66%	43,458	0.34%
2010	12,318,061	(12,857)	12,305,204	12,182,266	99.00%	109,219	12,291,485	99.89%	13,719	0.11%
2011	11,796,659	(39,682)	11,756,977	11,637,719	98.99%	105,046	11,742,765	99.88%	14,212	0.12%
2012	12,436,816	(88,827)	12,347,989	12,252,510	99.23%	77,165	12,329,675	99.85%	18,314	0.15%
2013	12,926,215	(220,842)	12,705,373	12,648,635	99.55%	36,280	12,684,915	99.84%	20,458	0.16%
2014	13,426,248	(68,231)	13,358,017	13,303,694	99.59%	30,402	13,334,096	99.82%	23,921	0.18%
2015	14,245,865	(187,522)	14,058,343	14,049,020	99.93%	(30,432)	14,018,588	99.72%	39,755	0.28%
2016	13,671,980	870,514	14,542,494	14,481,033	99.58%	-	14,481,033	99.58%	61,461	0.42%

Source: Tarrant County Tax Office and Tarrant Appraisal District

CITY OF EULESS, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE – LAST TEN FISCAL YEARS
(Unaudited)

Table 9

Fiscal Year	Governmental Activities							Business-Type Activities					Total Primary Government	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Certificates of Obligation	Taxable Certificates of Obligation	Tax Notes	Sales Tax Revenue Bonds	Capital Leases	Premiums/ Discounts on Debt Issues and Losses on Refundings ⁽¹⁾	W&S Revenue Bonds	Drainage Revenue Bonds	General Obligation Refunding Bonds	Premiums/ Discounts on Debt Issues and Losses on Refundings ⁽¹⁾				
2007	27,350,000	6,475,000	9,080,000	-	6,540,000	-	(656,941)	4,585,000	600,000	10,560,000	(1,068,353)	63,464,706	4.28%	\$ 1,200	
2008	25,985,000	5,735,000	8,840,000	-	5,875,000	-	(603,663)	4,350,000	410,000	10,105,000	(1,007,626)	59,688,711	4.04%	\$ 1,118	
2009	24,350,000	5,330,000	8,580,000	-	5,185,000	-	(550,383)	4,105,000	210,000	9,640,000	(946,900)	55,902,717	3.68%	\$ 1,034	
2010	30,765,000	4,910,000	-	-	4,470,000	438,227	(735,696)	3,850,000	-	9,160,000	(886,175)	51,971,356	3.29%	\$ 959	
2011	29,235,000	6,590,000	-	-	3,715,000	356,897	(373,493)	3,580,000	-	8,675,000	(825,449)	50,952,955	3.60%	\$ 994	
2012	29,915,000	3,230,000	-	-	2,910,000	272,526	(495,831)	3,435,000	-	8,165,000	(930,576)	46,501,119	3.37%	\$ 903	
2013	27,095,000	2,910,000	-	-	2,050,000	1,631,602	(396,737)	4,690,000	-	7,495,000	(610,729)	44,864,136	3.30%	\$ 867	
2014	24,070,000	2,780,000	-	-	1,175,000	94,196	(352,156)	4,285,000	-	6,915,000	(564,683)	38,402,357	2.53%	\$ 731	
2015	20,655,000	8,365,000	-	-	285,000	-	200,512	10,940,000	-	6,320,000	(518,643)	46,246,869	2.89%	\$ 856	
2016	17,425,000	27,710,000	-	1,280,000	120,000	-	579,273	10,305,000	-	5,695,000	(472,596)	62,641,677	3.84%	\$ 1,155	

Note: Details regarding the City's outstanding debt can be found in the notes to the Financial Statements.

⁽¹⁾ Column added to table in 2016; prior year figures have been restated to include amounts reflected.

⁽²⁾ See Table 14 for personal income and population data.

CITY OF EULESS, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO TAXABLE ASSESSED VALUE AND NET BONDED DEBT PER CAPITA –
LAST TEN FISCAL YEARS
(Unaudited)

Table 10

Fiscal Year	General Bonded Debt Outstanding							Estimated Population ⁽²⁾	Taxable Value ⁽³⁾	Net Debt to Taxable Value	Net General Debt Per Capita
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Premiums/ Discounts on Debt Issues and Losses on Refundings ⁽¹⁾	Capital Leases	Less: Debt Service Reserves	Net O/S Debt Total				
2007	37,910,000	6,475,000	-	(591,387)	-	955,555	42,838,058	52,900	2,440,482,117	1.76%	\$ 810
2008	36,090,000	5,735,000	-	(1,447,435)	-	1,029,164	39,348,401	53,400	2,582,911,400	1.52%	\$ 737
2009	33,990,000	5,330,000	-	(1,346,693)	-	1,049,445	36,923,862	54,073	2,660,000,740	1.39%	\$ 683
2010	39,925,000	4,910,000	-	(1,484,544)	438,227	684,246	43,104,437	54,200	2,589,844,156	1.66%	\$ 795
2011	37,910,000	6,590,000	-	(1,074,877)	356,897	880,619	42,901,401	51,277	2,522,998,708	1.70%	\$ 837
2012	38,080,000	3,230,000	-	(1,126,577)	272,526	956,430	39,499,519	51,500	2,651,724,005	1.49%	\$ 767
2013	34,590,000	2,910,000	-	(721,626)	1,631,602	807,054	37,602,922	51,750	2,756,141,770	1.36%	\$ 727
2014	30,985,000	2,780,000	-	(660,173)	94,196	796,454	32,402,569	53,780	2,864,049,903	1.13%	\$ 603
2015 ⁽⁴⁾	26,975,000	8,365,000	-	(90,640)	-	813,841	34,435,519	54,050	3,060,003,254	1.13%	\$ 637
2016	23,120,000	27,710,000	1,280,000	304,993	-	1,056,021	51,358,972	54,250	3,454,590,524	1.49%	\$ 947

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Total does not include revenue bonds.

Source: ⁽¹⁾ Column added to table in 2016, prior years restated to include amounts shown.
⁽²⁾ Estimates by North Central Texas Council of Governments and Euless Planning and Development Department
⁽³⁾ Tarrant Appraisal District
⁽⁴⁾ Taxable value restated to fiscal year end amounts.

CITY OF EULESS, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2016 – (Unaudited)

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Grapevine-Colleyville Independent School District	\$ 470,887,687	8.78%	\$ 41,343,939
Hurst-Eules-Bedford Independent School District	261,627,580	20.61%	53,921,444
Tarrant County	344,185,000	2.22%	7,640,907
Tarrant County Hospital District	22,335,000	2.22%	495,837
Tarrant County College District	-	2.22%	-
Subtotal, overlapping debt			103,402,127
Debt repaid with property taxes			
City of Euless (direct debt)	47,022,267	100.00%	47,022,267
Total direct and overlapping debt repaid with property taxes			\$ 150,424,394

Notes: The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the City's boundaries and dividing it by each unit's total taxable value.

The current year calculation of direct debt includes all general governmental activities debt excluding sales tax revenue bonds which are not repaid with property taxes. Amounts shown have been adjusted for losses on prior refundings, premiums, and discounts.

Source: Debt outstanding data provided by Municipal Advisory Council of Texas and City records.

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE WATER AND WASTEWATER BONDS – LAST TEN FISCAL YEARS
(Unaudited)

Table 12

Fiscal Year	Total Revenues (1)	Less Operating Expenses (2)	Net Revenue Available	Principal	Interest and Fiscal Charges	Total	Coverage Ratio
2007	14,645,201	13,668,755	976,446	220,000	213,643	433,643	2.25
2008	16,369,368	14,722,644	1,646,724	235,000	191,228	426,228	3.86
2009	16,594,856	13,722,593	2,872,263	245,000	180,820	425,820	6.75
2010	17,475,984	14,799,879	2,676,105	255,000	171,452	426,452	6.28
2011	20,148,834	15,952,372	4,196,462	270,000	161,333	431,333	9.73
2012	18,714,408	15,824,724	2,889,684	90,000	105,785	195,785	14.76
2013	19,399,314	16,660,397	2,738,917	330,000	82,110	412,110	6.65
2014	19,729,539	18,269,093	1,460,446	405,000	122,229	527,229	2.77
2015	21,182,560	17,879,209	3,303,351	410,000	129,703	539,703	6.12
2016	24,311,965	18,625,302	5,686,663	635,000	181,747	816,747	6.96

- Notes:**
- (1) Operating and nonoperating revenues of water and wastewater fund
 - (2) Total operating expenses of water and wastewater fund exclusive of depreciation and amortization

CITY OF EULESS, TEXAS
SCHEDULE OF REVENUE BOND COVERAGE DRAINAGE UTILITY BONDS – LAST TEN FISCAL YEARS
(Unaudited)

Table 13

Fiscal Year	Total Revenues (1)	Less Operating Expenses (2)	Net Revenue Available	Principal	Interest and Fiscal Charges	Total	Coverage Ratio
2007	790,647	420,586	370,061	185,000	34,303	219,303	1.69
2008	736,433	298,712	437,721	190,000	21,565	211,565	2.07
2009	714,250	286,741	427,509	200,000	14,417	214,417	1.99
2010	700,827	457,376	243,451	210,000	8,400	218,400	1.11
2011	699,709	519,622	180,087	-	-	-	n/a
2012	707,165	604,994	102,171	-	-	-	n/a
2013	711,154	567,215	143,939	-	-	-	n/a
2014	715,800	663,625	52,175	-	-	-	n/a
2015	717,763	581,364	136,399	-	-	-	n/a
2016	812,399	666,628	145,771	-	-	-	n/a

- Notes:**
- (1) Operating and nonoperating revenues of drainage utility fund
 - (2) Total operating expenses of drainage utility fund exclusive of depreciation and amortization

CITY OF EULESS, TEXAS
DEMOGRAPHIC STATISTICS – LAST TEN FISCAL YEARS
(Unaudited)

Table 14

Fiscal Year	Estimated Population (1)	Per Capita Income (2)	Personal Income (thousands of dollars)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2007	52,900	\$ 28,029	\$ 1,482,734	34.1	20,318	3.8%
2008	53,400	\$ 27,634	\$ 1,475,656	34.2	20,048	4.5%
2009	54,073	\$ 28,110	\$ 1,519,992	34.4	20,504	7.3%
2010	54,200	\$ 29,179	\$ 1,581,502	32.4	20,898	7.9%
2011	51,277	\$ 27,590	\$ 1,414,732	34.4	21,071	7.3%
2012	51,500	\$ 26,820	\$ 1,381,230	34.4	21,570	6.6%
2013	51,750	\$ 26,299	\$ 1,360,973	34.6	21,814	5.4%
2014	53,780	\$ 28,947	\$ 1,556,770	31.8	22,138	5.0%
2015	54,050	\$ 29,651	\$ 1,602,637	34.7	22,762	3.6%
2016	54,250	\$ 30,054	\$ 1,630,430	34.9	23,090	3.8%

- Notes:**
1. Estimates by North Central Texas Council of Governments
 2. Estimates by Claritas Site Reports; *Research & Demographic Solutions*; 2014-2016 from US Census Bureau
 3. Hurst-Eules-Bedford Independent School District
 4. Texas Workforce Commission; Bureau of Labor Statistics

**CITY OF EULESS, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

Table 15

2016			2007		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total City Employment</u>
HEB ISD	808	3.77%	City of Euless	383	1.55%
LSG Sky Chefs, Inc.	600	2.80%	TJ Lambrecht Construction	275	1.11%
Autogrill Group, Inc.	450	2.10%	Super Target	225	0.91%
City of Euless	433	2.02%	Life Outreach International	180	0.73%
Lazy Dog	215	1.00%	Federal Heath Sign Company	135	0.55%
Life Outreach International	186	0.87%	Home Depot	132	0.53%
Lowe's	150	0.70%	Lowe's	127	0.51%
Dave & Busters	150	0.70%	First Odyssey Group	100	0.40%
Legend Oaks Healthcare	134	0.63%	Office Depot	100	0.40%
Redi-Mix Concrete	132	0.62%	Atlas Match	80	0.32%
Total	<u>3,258</u>	<u>15.21%</u>		<u>1,737</u>	<u>7.01%</u>

Source: City of Euless Planning and Development Department

CITY OF EULESS, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM – LAST TEN FISCAL YEARS
(Unaudited)

Table 16

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government and Administration	53.00	54.50	54.50	50.00	48.50	48.50	48.50	48.50	48.00	49.50
Public Safety	123.00	126.00	126.00	118.00	121.00	129.00	132.00	135.00	136.00	136.00
Fire Safety	70.00	73.00	73.00	71.00	71.00	72.00	72.00	72.00	72.00	72.00
Development Services	12.00	12.00	12.00	11.50	13.50	6.00	6.00	7.50	7.50	7.50
Culture and Recreational	36.50	36.00	36.00	30.00	31.00	32.00	30.50	33.25	34.25	34.25
Water and Wastewater	50.00	50.00	50.00	46.00	42.00	42.50	42.00	42.00	42.00	42.50
Golf Course	15.25	15.25	17.25	13.00	13.00	13.00	12.00	10.75	11.75	11.75
Public Works	15.75	15.75	15.75	14.00	17.50	18.50	18.50	18.50	20.00	20.00
Service Center	6.00	6.00	6.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Risk Management / Insurance	<u>1.50</u>									
Total	<u>383.00</u>	<u>390.00</u>	<u>392.00</u>	<u>360.00</u>	<u>364.00</u>	<u>368.00</u>	<u>368.00</u>	<u>374.00</u>	<u>378.00</u>	<u>380.00</u>

Source: City Budget Office

CITY OF EULESS, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM – LAST TEN FISCAL YEARS
(Unaudited)

Table 17

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Police										
Number of Certified Officers	82	85	85	85	85	85	87	92	92	92
Number of Citations Issued	34,368	26,503	29,925	24,126	21,790	22,787	26,356	25,500	24,573	18,483
Fire										
Number of Certified Firefighters	68	71	70	69	69	70	70	70	70	70
Number of Alarms	3,675	4,197	3,827	4,097	4,196	4,204	4,296	4,505	4,686	4,770
Number of EMS Calls	2,561	2,688	2,634	2,793	2,848	2,982	3,108	3,230	3,424	3,431
Municipal Court										
Cases Filed	39,096	30,551	33,670	31,442	27,022	26,889	32,192	31,172	28,885	25,957
Development										
Number Residential Inspections - New	58	77	100	101	52	44	42	107	176	186
Number Commercial Inspections - New	24	28	16	14	11	29	16	29	33	15
Number Multifamily Inspections - New	0	0	0	0	0	0	0	1	1	0
Public Works										
Street Overlay (Square Footage)	664,472	999,285	797,326	770,380	953,406	368,654	540,613	631,260	430,504	1,156,833
Cultural and Recreational										
Parks and Recreation										
Recreation Center Memberships	3,990	3,944	3,703	2,443	4,337	3,654	5,137	6,261	6,742 ⁽¹⁾	6,975
Water and Wastewater										
Number of Water Consumers	24,484	24,608	24,677	24,760	24,924	24,428	25,039	25,319	26,014	25,812
Water Produced (In Gallons x 1000)	414,934	348,548	730,291	579,154	477,914	299,107	416,843	380,864	741,225	540,921
Water Purchased - TRA (In Gallons x 1000)	2,202,426	2,291,974	1,955,535	2,028,760	2,566,370	2,440,539	2,133,211	2,154,469	1,628,651	1,787,547
Water Supplied (In Gallons x 1000)	2,617,360	2,640,522	2,685,826	2,607,914	3,044,284	2,739,646	2,550,054	2,535,333	2,369,876	2,328,468
Annual Rainfall (In Inches)	53.51	27.10	36.32	38.65	22.26	36.57	24.41	23.98	44.45	53.16
Golf Course										
Number of Paid Rounds Played	35,094	36,528	43,029	32,996	35,075	34,550	35,890	22,110 ⁽²⁾	33,735	32,852

Source: City Departments
Comprehensive Annual Financial Report
City Budget Office

Notes:

⁽¹⁾ Amount restated to include recreation, aquatic and senior memberships.

⁽²⁾ Golf course closed for 3½ months for renovations in 2014.

CITY OF EULESS, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM – LAST TEN FISCAL YEARS
(Unaudited)

Table 18

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets - Paved ⁽¹⁾	211.0	217.6	217.6	217.6	332.1	332.4	333.36	340.62	342.80	344.77
Cultural and Recreational										
Swimming Pools	3	3	3	3	3	3	4	3	3	3
Parks ⁽²⁾	16	16	16	16	16	16	16	16	16	16
Parks Land (Acres) ⁽³⁾	341	341	341	341	341	341	341	341	341	341
Other Facilities (Acres) ⁽³⁾	291	291	291	291	291	291	291	291	291	291
Community Buildings	5	5	5	5	6	6	6	6	6	6
Amphitheater	2	2	2	2	2	2	2	3	3	3
Conference Centre	1	1	1	1	1	1	1	1	1	1
Golf Course	1	1	1	1	1	1	1	1	1	1
Softball Facility ⁽⁴⁾	1	1	1	1	1	1	1	1	1	1
Athletic Fields	35	35	35	33	33	33	33	28	28	30
Library Holdings	98,613	101,672	103,122	106,121	110,149	111,230	111,312	105,500	98,596	101,160
Water and Wastewater										
Water Mains - Potable ⁽⁵⁾	222.10	226.80	226.80	228.20	228.50	227.99	231.06	232.28	234.84	235.50
Water Mains - Reclaimed ⁽⁵⁾	-	-	-	-	-	-	1.73	3.22	3.70	3.82
Fire Hydrants	1,441	1,477	1,477	1,525	1,526	1,550	1,579	1,633	1,648	1,674
Wastewater Mains ⁽⁵⁾	168.0	186.3	186.3	186.5	186.7	187.6	187.6	191.3	192.4	193.2

Source: City Departments

⁽¹⁾ Fiscal years to 2010 are reported in linear miles. 2011 to current are reported in lane miles.

⁽²⁾ Restated to exclude Softball Facility

⁽³⁾ Restated to reflect Golf Course and Softball Facility land separately

⁽⁴⁾ Added Softball Facility

⁽⁵⁾ Miles of lines. Fiscal year 2012 figures have been restated to exclude approximately two miles of TRA lines that had been accidentally included as City lines.